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ECONOMIC REVIEW

Vol. XIII Hongkong, October 16, 1952 No. 16

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CHINA'S AGGRESSIVE MILITANCY AND JAPAN'S REARMAMENT

One of the demands voiced repeatedly in recent Chinese propaganda was that the Japanese nation should remain disarmed and that the whole settlement in the Far East be drafted and decreed by the five Big Powers, which include China but exclude Japan. Manifestly there can never be permanent peace between Japan and China on such a basis. Nor would the Chinese or the Russian Communists insist on Japan remaining a permanent helot if she did what is expected of her and submitted to the Communists. Then they would do the utmost to make sure that Japan takes to arms again—not against the mainland, of course, but against those whom the Communists have proclaimed their enemies. The claim for the complete demilitarisation and disarmament of Japan is all the more remarkable in that China herself had never been so highly armed in all her history. Never did any ruler boast of an army of five or six million or a militia that is destined far to outstrip even this number.

The Chinese army, not content with the strength it can put into the field, and with its power in the highest counsels of the Party, is determined likewise to consolidate its power throughout the country—a role which the Militia first began in the guerilla wars when they protected the regular forces from what might have been a catastrophic frontal collision with the Japanese armies. But for the Army, avers the Commander-in-Chief, General Chu Teh, there would have been no People's Government and no Party; without armed struggle, there would be no place for the proletariat, no place for the people, no place for the Communist Party, and no victory in the revolution. In the Soviet Union the regular Army keeps however out of politics or political actions; it is represented in the highest Party circles by its own man as Minister of Defence but the routine work in town and countryside is left to the Militia, who carry out police functions rather than act as a first reserve for the regular army.

In his political report to the third session of the National Committee of the People's Political Consultative Council on October 23, 1951, Chou En-lai declared that "the total militia strength in the whole country has grown to more than 12,800,000." The militia or self-defence corps played a great role in the guerilla wars against the Nationalists. At present their role is mainly one of preservation of internal order. The Armament Department of the Revolutionary Military Council describe the militia as one of the special products of the revolution and an essential factor in the materialization of Chairman Mao Tse-tung's strategy. They were the Red Army's powerful aides and strong reserves in the revolutionary civil wars and were doubled to 5,500,000 in the period before the collapse of the Nationalists. Party Committees selected and transferred many of the elite cadres to help build up the militia, and all means were used to promote its political status and to develop "revolutionary heroism." Before the Communists seized power, and while the civil war was still waged in the interior, the militia or self-defence corps appointed their own squad, squadron and detachment leaders and set up their own leadership organs—"the people's armament committees

at all levels." A unified combat system under unified command was thus created. Then in the next stage they substituted for their more primitive weapons such as red-tasseled spears and out-of-date native firearms more modern equipment, from hand grenades and land mines to mausers and rifles, most of which were gained from the Japanese.

It was the militia who played the most important role in espionage and security. They posted scouts and sentries at ambush points along the highways and at the approaches to towns or villages. Passes were demanded and scrutinised. Mines were laid to entrap the Japanese, and the militia developed their own, if primitive, methods of signalling the alarm. They helped to frustrate Japanese reprisals in troublesome areas by burying underground all that could not be removed and escorting peasants out of their homes with their essential belongings on carrier-poles. They were chiefly responsible for disrupting the enemy communications, destroying roads and bridges, cutting and stealing electric and telephone wires. They also helped the peasants to build huge caves underground in the ravines linking up the mountains in the Taihang region. All these works were created by scores of thousands of men. The militiamen were chiefly responsible for carrying out the strategy of maximum dispersal and the sparrow tactics. It was the militia who kept contact with and annoyed the Japanese, and even when hard pressed in some vital area, fought them while the regular troops of the Communist Palu were able to keep out of trouble and maintain their strength intact. The engagements fought by the militia were great in number but the numbers involved were few. Mao Tse-tung wrote in his work "On Coalition Government" in April 1945 that without the co-ordination of all these forces it would have been impossible to hold the Japanese. When the Peking Government was formed it was laid down in the Common Programme (Article 23) that the People's Republic of China shall enforce the system of people's militia to maintain local order, lay the foundation for national mobilization and prepare for the enforcement of an obligatory military service system at the appropriate moment. Consequently in the past three years militia units have been set up universally throughout the country, with a unified organization under the Revolutionary Council. Since the war in Korea, and during the various nation-wide agitation campaigns, the militia forces "have become a great army of hundreds of thousands of men" apart from the self-defence corps. "Acting as masters of the countryside, the militiamen have performed the glorious tasks of annihilating the remnant bandits, defending the coast and frontier, protecting land reform, guarding production constructions, and suppressing counter-revolutionaries, in conjunction with the PLA and local public security units. They have therefore become one of the main forces for maintaining the revolutionary order and the strengthening of the people's democratic dictatorship." The militia system is being continuously developed. When the universal militia system is implemented, greater development of the militia will be registered. They are now "watching the aggressive activities of the American imperialists" and strengthening training in preparation for their response to the call of the fatherland. "The Chinese people have a strong PLA and armed militiamen as strong aides and reservists of the PLA. The imperialists' conspiracy of aggression will certainly meet shameful defeat."

In this, as in so many other things, the spirit throughout is of combat. Even the blindest of pacifists knows that militancy is the one thing above all others that distinguishes the Communist from his Socialist comrade. It is in fact a matter of the gravest disquietude that the biggest nation on earth which used also to be the most genuinely attached to peace is now animated by a militant and warlike spirit, while at the same time it has adopted the Bolshevik technique of ascribing both the desire and the policy of peace solely to themselves—the most militant sect which has burst into history since the French Revolution and Napoleon. The worst of it all is that by their own policies and pressures the Chinese Communists are most likely to cause in Japan that high degree of militarisation which the Soviet has already produced among the free nations of the West.

CHINA-MONGOLIA RELATIONS

Peking announced with all possible fanfare that the Outer Mongolian delegation which proceeded to the Chinese capital after the pilgrimage to Moscow had signed an agreement on October 4 for co-operation. The event was hailed as "a new development in friendly relations between China and Mongolia," signifying that the relations of friendship and co-operation between the two countries had entered a new historical stage. It was extremely significant, said Peking, for the promotion of economic and cultural construction of both countries. Unlike the relations between Outer Mongolia and the Soviet Union, the new agreement is not a military alliance and its three short Articles merely provide for the establishment, development and consolidation of co-operation in the economic, cultural and educational fields. Military clauses are conspicuous by their absence.

The agreement helps to bridge the gap of 30 years during which the Chinese were kept out of Mongolia, in spite of the formal recognition by the Bolshevik leaders of Chinese suzerainty. But the Chinese are unlikely to be wholly content with this grudging compromise of Stalin. The stakes are much too high, especially now that Inner Mongolia, stretching like an arc right round the perimeter of North China and Manchuria, has become autonomous and unification of the two halves possesses so powerful an appeal. There is room for economic co-operation. Before the Soviet closed the door most if not all the trade of Outer Mongolia followed the traditional channels, with Tientsin as the major import and export centre. Then, a little less than a quarter century ago, all trade and indeed all contact ceased. It will make little difference if the skins, hides and wool which used to be exported through Tientsin but have since gone straight into Siberia go to the same destination by a more roundabout route. What is really interesting is the objective of "cultural co-operation." Does it mean the use of Outer Mongols in indoctrinating the Inner Mongols and in leading them in the way they should go? If so, it would be the thin end of a dangerous wedge.

The three articles of the Agreement, signed by the two Prime Ministers, Chou En-lai and Y. Tsedenbal, provide (1) the two parties agree to establish, develop and consolidate co-operation in the economic, cultural and educational fields; (2) concrete agreements will be signed separately between the Departments of Economics, Trade and Culture and Education, on the basis of the agreement and with a view to implementing it. The other article says it will have a duration of ten years and becomes effective on exchange of ratifications at Ulan Bator.

The total exclusion of China from Mongolia has long been a very sore point. Even the People's Government did not have any official relations with the Outer Mongols until the exchange of Ambassadors with Peking in August 1950, after the outbreak of the war in Korea. The new agreement does something to restore to China in part at least the close relations that were still maintained even after the Tsarist Russians made their presence felt in the old Urga before the first world war. Since the Soviet Union has a military alliance with the Mongols, the Kremlin retains its dominating position, and as time goes on China will doubtless try to equalise the position.

The question is not one of pique or frustrated prestige only. In the last war, when the Japanese overran great parts of the Far East, both the Soviet Russians and the Mongols observed a policy of appeasement. It is not agreeable or fashionable to recall this now, any more than it is good form to mention Stalin's ultra-clever change of policy in August 1939, when he signed an agreement with Hitler and made it possible for the Nazis to overthrow Poland and to divide the lemon with the Soviet. It was much worse than a miscalculation in the outcome, apart from its ruthless cynicism and amorality at the time. It was not until the Nazis had wiped out all opposition in Europe, and the Russians suddenly found themselves facing the entire German Army, that Stalin began to worry and to develop doubts about his "inspiration." But up to the very last he preferred to delude himself with comforting beliefs rather than credit the warnings of Churchill and others.

China has now placed herself in the forefront of the militant Communist crusade. She professes to be much concerned about the danger of a revived and re-militarised Japan, and no doubt she would like to have the Soviet-Chinese alliance supplemented by a similar Sino-Mongolian alliance. If war did occur, it would be awkward having a neutral Mongolia in contact all along the border with the Inner Mongols. This aspect of the matter is in fact brought into direct relation with the agreement by the comment in the official paper of Peking. American Imperialism, it says, is making every effort to expand the aggressive war in Asia; it is speeding up the revival of Japanese militarist forces, the common enemy of the people of China, Mongolia, and other countries in Asia, and the revival of German Fascist forces, in a wild attempt to unleash a new world war. But the new aggressive war which the free world is accused of planning to unleash apparently does not require a military accord between China and Mongolia. Economic and cultural co-operation will be quite enough to meet the case!

The trouble is that a united Mongolia coming right down to the Great Wall and the suburbs of Peking would be far too much like the bad old days when all China's energies had to be devoted to keeping the Inner Frontier against the outer barbarians. A united Mongolia that might perhaps lean to the side of China could be a serious matter for Soviet Russia for Mongolia lies all along her vulnerable Siberian railway frontier. Indeed the marginal frontier has come back to life and to history in a more lively manner than at any time since the heyday of the Manchus, and a struggle has begun for the control of this vast area of Mongol and Tibetan Lamaism and of Turki Muslims which China in all her centuries never succeeded in absorbing. Between the pastoral and agricultural societies, apart from all other basic differences, there is a profound cleavage. Though it is argued that the spread of industrialisation may bridge the chasm, it is doubtful whether that factor will have much chance to assert itself when the issue is so intensely political. For the People's Government, having brought about by the policy of depending solely on the Soviet a position in which her sea frontier and maritime contacts with the outside world are gravely imperilled, finds it the more imperative to secure safeguards on the land frontier that will guarantee her against those forms of treachery which have stabbed her in the back from the north all through her history.

NOTES OF THE WEEK

FAR EASTERN ECONOMIC REVIEW—INTO THE SEVENTH YEAR

We are now entering into the seventh year of publication. To our many friends and readers, here and overseas, a promise: we shall improve this weekly paper and expand its service so that it truly shall be called a Far Eastern review. To our well-meaning critics an apology: with the limited staff and resources we could not do better in the past which is a matter of sincere regret; but we hope that with more support from our readers and subscribers there will be a slow but steady advance.

Through the person of the editor of this journal this Review has actually a much longer history as he was connected before the outbreak of the war in the Pacific (December 8, 1941) with "Finance & Commerce", the only English language economic journal published in China and which was in existence for almost twenty years when the Japanese forces entered the International Settlement of Shanghai on December 8, 1941. "Finance & Commerce" owed much of its success in the decade before the start of the war in the Pacific to the work of one of China's leading economists and bankers, Mr. E. Kann, who still continues to contribute his articles to this Review from Los Angeles where he has retired after 1949 (though lecturing at Loyola University and keeping up a considerable literary activity). The proprietors of the Shanghai journal which was however always registered in Hongkong are not the same as the ones of the Review; for most of the history of "Finance & Commerce" the majority of shares were held by Sir Victor Sassoon and his companies with Mr. F. R Davey, a director of many Sassoon enterprises in Shanghai, serving as chairman of the board of directors which post a short period before the outbreak of the war was taken over by Mr. G. E. Marden. The proprietors of the Far Eastern Economic Review are closely connected with the finance and commerce of Hongkong.

While some economic journals (in English) were put out here during the postwar years they soon were compelled to wind up leaving the Review—just as was the case with "Finance & Commerce" in Shanghai—as the only English language economic periodical in Hongkong. While it was sometimes erroneously believed that this Review received from somewhere grants or a subsidy, the fact is that this journal since its start in 1946 never sought or obtained such a kind of payment and always operated as a purely commercial publishing enterprise.

In our first issue we published an 'editorial statement' and it is perhaps not inopportune to repeat now some of its paragraphs. We then wrote: "The purpose of this weekly economic publication is to analyse and interpret financial, commercial and industrial developments; to collect economic news; and to present views and opinions with the intent to improve existing conditions. Politics and economics being connatural, it will be inevitable that this publication may at times appear to transgress its primary objective by reporting on, and dealing with, political affairs. .... We shall concern ourselves with Pacific and Far Eastern affairs but Hongkong and China will be prominently dealt with. .... The importance of Hongkong transcends the mere financial and commercial sphere. It is an international meeting place of the first order, a 'civilisation exchange' between West and East. .... The present position and potentialities of Hongkong justify optimism. Here is a benevolent administration of trained civil servants who work for the common weal under the guidance of one of the best and progressive governments the world has seen. Peace, order and prosperity under British law are traditionally guarded and promoted. Civic security is guaranteed. The British government stands by with advice and assistance if such are required. .... Given reasonably stable conditions for the future, a period of prosperity will certainly follow".

Although last year was a year of some anxiety the progress of Hongkong has not been hampered and we are carrying on, convinced that this is a good, a very good place to live in and worth to be maintained and further improved. The postwar years have been most kind to Hongkong and the community has immensely prospered. The outlook today is encouraging and the possibility of the outbreak of another world war appears very remote.

The Far East will rise in international stature from year to year. It will be ever more necessary to record the march of events in this part of the world and to understand the course of history as it unfolds daily in the countries of East and Southeast Asia. The Far Eastern Economic Review has imposed a task on itself and with the support of its many friends it will fulfil it.

* * *

"HONGKONG—THE FINEST PLACE IN THE WORLD"

"Hongkong is the finest place in the world to live in at present. The amenities provided for comfortable living in Hongkong do not obtain elsewhere, not even in most American cities. The low prices here are an added attraction." Such is the considered opinion of Jerry O'Donnell, District Sales and Traffic Manager of Pan-American World Airways, Hongkong, who recently addressed a local meeting of an international club. Mr. O'Donnell knows a good part of the world and he has recently travelled in the US, Canada and Europe and his opinion, as given above, came after his return here from his recent long business trips. Our friend Jerry O'Donnell, a socially very active member of the large American community here, has come to Hongkong five years ago and ever since he liked the place and has done much to popularise it abroad. He would not change it for any other place in the world.

Other Americans who have visited or lived in Hongkong have expressed opinions and sentiments very similar to the ones as quoted above. When we happen to meet travellers and tourists who are now arriving in large numbers and quite regularly we always hear of their great pleasure and satisfaction to have seen Hongkong, and the expression of astonishment about the progressive, prosperous even opulent, modern, orderly and picturesque twin cities of Victoria and Kowloon is fairly general. Those who have had the opportunity to see the countryside, the fishing villages, the so very scenic islands inside British waters, the many splendid beaches and country sport amenities and all the rustic scenery in the New Territories are very definite in their praise and are hoping to return to enjoy more fully the charm of Hongkong.

Shortly after Mr. O'Donnell's address came the return from furlough of Hongkong's Governor, Sir Alexander Grantham, who almost immediately after landing attended the annual dinner of the Engineering Society of Hongkong, a very important civic organisation which wields growing influence in this community. In his concluding remarks Sir Alexander said about Hongkong that its people were noted for their enterprise and that another virtue of the people here was their dislike of the sensational. He continued: "Does not this joining together of a positive virtue with a

negative virtue make a perfect combination? But is not Hongkong a perfect place?" Long and enthusiastic applause followed when Sir Alexander had uttered this rhetoric question and next day when the speech was printed in the daily papers there was everywhere expressed much delight with the Governor's implied opinion that Hongkong is in fact a perfect place.

Many local citizens have recently returned after prolonged absence in Europe and America and when asked privately how they felt being back in Hongkong they all expressed a feeling of happiness and, most significantly, a growing sense of pride about the fortunate state of affairs 'at home'. Yes, Hongkong is fast becoming home to tens of thousands in addition to the large numbers of Hongkong born citizens. One of the leading residents of Hongkong, Mrs. Fung Ping-Fan, has just returned from an almost five months stay in the US and when we asked her about her reaction to be back in the Colony, this world-travelled lady stated that she would not change Hongkong for any place in the world and that she did prefer Hongkong to America any time. Mrs. Fung, one of the daughters of the Colony's senior Chinese banker, Mr. Kan Tong-Po, did not conceal her happiness to be back home.

In this connection mention should be made of the uninterrupted investment and financing activities of the many families of Hongkong Chinese who by their example have inspired more confidence in the stability and the future of Hongkong. The community at large owes a great debt of gratitude to these men who have so conspicuously contributed to the increase of wealth of the Colony and who have always regarded Hongkong as their only home and object of pride and loyalty.

The quite fantastic building boom here has often drawn favourable comment abroad. New construction of every type of building continues and new plans for often very ambitious projects are in a well-advanced stage. Wherever one goes, in urban and rural districts, there is evidence of extensive new building; the built-up area on the Island and Mainland is continually increasing. The skyline changes and many residential quarters are every year added to the already vast size of the twin cities. A rough idea of building projects completed or initiated during last year has recently been given by our friend Mr. Lawrence Kadoorie and this list far from being complete reads as follows:

Tai Lam Chung Reservoir; Central Reclamation; Causeway Bay New Typhoon Shelter and Reclamation; Piers at Cheung Chau and Tai O; Reconstruction of main roads to carry heavy traffic; Tsun Wan—Sek-kong Highway; Bridges at Au Tau and Ma Mui Shui; Completion of such important buildings as the Bank of China and Alexandra House; Low cost housing schemes at North Point, Quarry Bay and Sheung Li Uk; Welfare centre at Bowrington; Extensive housing programme for the Services, on the Island, in Kowloon and in the New Territories; Construction of six new cinema theatres and two new hotels; it is estimated that there is now about 7,000 H.P. of air-conditioning equipment connected and this load is growing rapidly; Rehabilitation and extension to Hongkong University, also new staff quarters; Grantham Teachers' Training College; Wah Yan College; Tang Kan Po Industrial School; Ho Tung Primary School; Aberdeen Primary School; New Methodist Church and School; New wards and extension to outpatients department at Kowloon Hospital; Construction of new South Wing and extension to Matilda Hospital; Blood Bands at Kowloon and Queen Mary Hospitals; Preliminary work in connection with Tsan Yuk Maternity Hospital (200 beds); New turbines and boilers for the electricity supply companies, both on the Island and in Kowloon; Duplication of high tension transmission lines in the New Territories; Construction of Eastern telephone exchange, additional submarine cables between Mainland and Hongkong, also radio links between Cheung Chau Island and Hongkong. Extensions and additions to several of Hongkong's cotton mills; installation of new machinery and improved facilities for workers; Construction and launching of additional ferries; Construction of a special fire float which will compare favourably with any similar vessel in any port in the world; Installation of refrigerated space in the tween-decks of two ocean-going cargo vessels. Work done by our dockyards include complete repairs to a 3,500 ton coaster. Major public works include, among others, the new Government offices, Police Headquarters, Asiatic Police quarters, Defence Force Headquarters, Laboratory at North Point, Markets.

The future of Hongkong—from a constitutional point of view—has been discussed for some time and right now the British Government are considering proposals for the institution of reforms. That Hongkong must remain an integral part of the Commonwealth is conceded and desired by all who live here and regard Hongkong as their home irrespective of their national status. The introduction of a legal scheme to confer the rights of citizenship on all Hongkong residents appears to be urgent and should not be delayed. The importance of this matter cannot be too strongly emphasised. A Hongkong citizenship promotion committee perhaps in cooperation with the Hongkong Reform Club (under the leadership of inspired and inspiring Brook Bernacchi) should be formed and the views of the local citizens conveyed to Her Majesty's Government. Hongkong is a perfect place but there is always room for improvement.

* * *

WINNING THE "COLD WAR"

The recent pronouncement by Field Marshall Viscount Montgomery that "if we win the cold war, there may not be a hot war for years to come" is convincing. However, it leads one to wonder how best to win the cold war, beyond continuing preparations for averting a hot one as the Western allies are at present engaged in doing.

Field Marshall Montgomery himself reiterated the need for rearmament, and also pointed out that two things are vital for winning the cold war: firstly, an agreed Allied plan and secondly, effective machinery for handling the problem. He further pointed out that so far neither of these two vital necessities exists.

It is an undeniable fact that a "cold" war from every point of view is rather more difficult to handle than the prospect of a "hot" war. The attacks of the former are made in secret and have an effect individually. To combat them requires a knowledge of world events, a close study of the nations involved and a clear foresight of what is threatened. It needs also to be alert to the fact that the Russians prepare for a cold war as carefully as for a hot one, each move being thought out far in advance.

Mr. Dean Acheson, US Secretary of State, when recently summing up the Twenty-first Congress of the Communist Party just concluded in Moscow, stated very clearly that "the Soviet rulers, though they may throw a sunny smile on the rest of the world, are prepared to continue their expressions of hostility towards the people of the United States in an effort to isolate us and to divide us from our allies." It would seem that Mr. Acheson is right, for reading the addresses even in curtailed form of both Mr. Malenkov and Mr. Molotov, it is clear even to the simplest mind that their object is to drive a wedge between the close cooperation of Great Britain and the United States. It is this genuine friendship that sustains the strength of the resistance offered to the Russian advance, and the only hope the USSR could ever entertain of disrupting this formidable alliance is through propaganda directed against the most powerful partner. As Mr. Acheson continued, "There are several points we shall have to keep in mind. One is that we must not confuse the shift in method with a change in the underlying purpose."

Fortunately it is clear that the world, although faced with numerous serious problems, has indeed made progress towards peace. The mere fact that the Soviet leaders have deemed it advisable to turn their big guns upon the Anglo-American friendship is significant of their realisation of its importance in unifying the Western democracies.

A suggestion made by Field Marshall Montgomery that the NATO nations should name a Supreme Commander for the "cold war" to coordinate propaganda efforts is sound. There is a noticeable lack of coordination in that direction

at present. The propaganda efforts of the different nations are often more of a spasmodic nature than well thought out and are not always suited to the mentality of the people for whom they are intended.

To take one example. Has there been a coordinated plan to explain by every means available why the United Nations refuses to contemplate the unconditional repatriation of prisoners of war? Do people as a whole realise, that the way in which prisoners who had surrendered during World War II were treated by Russia when repatriated after the termination of hostilities so shocked the conscience of the civilised world that never again will such an occurrence be allowed to take place? Labour camps, executions, these were the brutal punishments meted out to these unfortunates, and a similar fate would undoubtedly await those who in the present Korean war had given themselves up to the United Nations' forces if repatriated against their will. It would be a stigma upon the good name of the United Nations if they agreed to hand over such unwilling prisoners to a cruel fate.

Mr. Acheson did well to assert emphatically, "We will not compromise with the basic principle that no prisoner shall be forced against his will to return to the Communists," and the reasons for this stand cannot be too widely publicised.

* * *

GROWING STRENGTH OF US

While maintaining a sound and prosperous civilian economy the United States has, during the past two years, made great strides in building up its own national defense and in aiding the defense efforts of friendly nations. Since Korea the U.S. output of planes, tanks, ships and other military items, has risen from US$900,000,000 to about $6,000,000,000 for a three-months period. The greater part of the defense mobilization effort however still lies ahead. The Congress has made $129,000,000,000 available for all military procurement. Of that amount, only $41,000,000,000 worth of military equipment has been delivered thus far. The expended funds include large amounts for military equipment to be manufactured in friendly nations of Western Europe, and military deliveries to nations in the Middle East, Far East, and Latin America. More than $16,000,000,000 worth of new industrial plants will be completed in the United States by the summer of 1953. The nation's capacity for steel production has been increased from 100,000,000 ingot tons in 1950 to 113,000,000 ingot tons per year at present. Also, by the end of 1952, primary aluminum production will have increased from 750,000 to 1,100,000 tons; electric power from 63,000,000 to 82,000,000 kilowatts, and petroleum refining from 6,800,000 to 7,800,000 barrels. During recent months, the shipment of arms to U.S. allies has doubled 1951 rates. Last year, limited rates of production of the newer weapons prevented larger shipments, but America's increased capacities will permit the U.S. to continue to increase deliveries. By the end of June 1952, about $700,000,000 in contracts for major material had been placed in countries of Western Europe. The largest outlays under the contracts cover the purchase of aircraft, naval vessels, ammunition, and electronics equipment for NATO forces. Cumulative shipments to Western Europe since 1950 amounted to nearly $2,600,000,000 on July 31, 1952 and approved programs at that time called for further shipments of nearly $12,000,000,000. U.S. military assistance to Greece, Turkey, and Iran, from the beginning of the mutual defense assistance pact through July 31, 1952, amounted to $337,000,000. In Asia and the Pacific area, military assistance is being supplied to the Associated States of Indochina, the Republic of China on Formosa, the Philippines, and Thailand. Aid in these areas amounted to $1,171,000,000 on July 31, 1952, of which $362,000,000 worth of military equipment had been delivered.

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BRITAIN LEADS WORLD IN EXPORT OF WIRE ROPE

Britain is the world's biggest exporter of steel wire rope and sells abroad nearly twice as much as her nearest rival, the United States. U.K. exports of wire rope in 1951 amounted to 31,000 tons (compared with the U.S. figure of 16,107 tons) and exports are at present running at a monthly rate of approximately 2,500 tons.

Responsible for an important share of the United Kingdom rope production and export is British Ropes Limited which produces over 30 per cent of the steel wire rope and over 20 per cent of the hemp cordage made in Britain. British Ropes Limited, which has pioneered in many branches of rope production, operates six factories for the manufacture of wire rope, four factories for the manufacture of fibre rope and, in addition, seven factories devoted to the production of all kinds of steel wire. Today the company is probably the largest integrated concern of its kind anywhere in the British Commonwealth, and helped to found the wire rope industry in Australia, Canada and South Africa, still having substantial interests in the latter two countries.

One of the company's major successes has been in the popularising, particularly abroad, of special ropes, such as Locked Coil ropes. Two years ago the firm installed the largest rope of its kind—a 53 millimetre Locked Coil rope in a kopee winder for the deep Emma coalmine, at Limburg in Holland. The rope has now completed its service and, so satisfied are the Dutch mining engineers, that it is to be replaced with a similar one. Previously smooth Locked Coil ropes had not been considered suitable for kopee winding, but gradually mining engineers in many countries are being won over to its use and, following the success in Holland, an even bigger Locked Coil rope is to be installed in one of France's deep coal mines.

British Ropes Limited pioneered the production of nylon ropes and are probably the biggest producers. These ropes are extensively used by the whaling industry, in deep sea tows, in yachting—and even the recent Everest Expedition made use of them. Another interesting development in recent years has been the incorporation of a telephone cable into each strand of the rope allowing inter-communication between glider and towing plane. Incidentally, this technique is finding a new and ingenious application in the whaling industry, the wire in this case being used for the electric killing of the whale.

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BY COMET FROM LONDON TO SINGAPORE IN 27 HOURS

The B.O.A.C. Comet has inaugurated the world's third jetliner route, between London and Singapore, on 14th October. It will bring this part of the Commonwealth to within just over 27 hours of London. Flying time from London to Singapore will be about 20 hours. (The Argonauts operating this route at present take 2½ days to complete the journey). Present Comet services are to Johannesburg and Ceylon both in well under 24 hours.

Singapore is being reached by the Comet in 27¼ hours (of which 20¼ hours will be spent in the air) by way of Rome, Cairo, Bahrain, Karachi, Calcutta, Rangoon and Bangkok—a total distance of 7,761 miles. On the return flight from Singapore to London, which takes a total time of 34 hours 20 minutes (flying time 26 hours 20 minutes), an additional call is made at Delhi. The new service operates

on a once weekly frequency in each direction until 31st October, when a second weekly Comet service, operating along a slightly different, 7,892-mile route, will be introduced. This service will call at Beirut instead of Cairo and at Delhi on the outward flight as well as the inward, but will not call at Rangoon. The total elapsed time for the outward flight will be 27 hours 25 minutes and the flying time 20 hours 25 minutes; the inward flight will take 32 hours 10 minutes, with 25 hours 10 minutes spent in the air.

The first service leaves London on Tuesdays, arriving in Singapore on Wednesdays, and leaves Singapore on Thursdays, arriving in London on Fridays. The second service will leave London on Fridays, arriving in Singapore on Saturdays, and leave Singapore on Sundays, arriving in London on Mondays.

The Comets will replace Argonauts along these routes. The two existing Argonaut services that are being withdrawn take 2½ days on the journey from London to Singapore, including a nightstop at Rangoon. The flying time of one of these services is nearly 37 hours and the other nearly 35.

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DEVELOPMENTS IN KOREA

The Unified Command of the United Nations has recently submitted three alternative proposals for the solution of the prisoner-of-war question at the Korean armistice negotiations in Panmunjom. All three new proposals, submitted as alternatives, are based on the prior acceptance of an armistice by both sides (the Unified Command and the Chinese-North Koreans).

The main points of the proposals are: 1. All prisoners-of-war in the custody of each side shall be brought to an agreed exchange point in the demilitarised zone and there released and repatriated after they have been identified and their names checked against the agreed list of prisoners-of-war and the impressions of specified observers. Any prisoner who at the time of identification indicates that he wishes to return to where he was detained shall be allowed to do so. 2. All those repatriated shall be exchanged expeditiously while non-repatriates shall be interviewed before being permitted to go to the side they choose. 3. All repatriates shall be exchanged expeditiously while non-repatriates shall be freed and allowed to go to the side chosen without questioning, interview or screening.

After presenting the three new alternatives, Lt. Gen. William Harrison, Senior Unified Command delegate, restated two Unified Command proposals introduced at previous sessions. He rejected the Chinese and North Korean proposals, which provided, first, for specific observers to enter prisoner-of-war camps on each side to verify reports that those who did not wish to be repatriated would forcibly resist repatriation; a second proposal would have asked all prisoners to be delivered to the demilitarised zone and there given the opportunity to express their preference on where they wish to go.

When he had given all five plans, General Harrison told the Chinese and North Korean delegations "We have now offered you the widest selection of choices the UN Command can offer."

Meanwhile, the United Nations Korean Reconstruction Agency announced plans to begin large scale operations in Korea by spending up to $70,000,000 on relief and reconstruction up to the end of June 30, 1953. The announcement, made by J. Donald Kingsley, UNKRA Agent-General, says that specific projects are now being drawn up in consultation with the government of the Republic of Korea and the United Nations Command. The largest item in the current programme is the expenditure of $14 million for imports of essential commodities, such as food, sawlogs and fertilizers, which will be distributed or sold to Koreans through the Korean Government. Next, $11.5 million are to be spent on imports of capital goods.

Other estimates are, in US$:—Education 8 million, Power 7.1 million, Transport & Communication 7 million, Harbour development and imports of railway equipment 7 million, Agriculture 6.9 million, Equipment and construction of essential housing 3 million, Sanitation and Welfare 2.5 million, Rehabilitation of teaching hospitals and for mobile clinics and orphanages 2.5 million, Natural resources 2 million.

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THE EXPANDING MINING INDUSTRY OF HONGKONG

By Dr. S. G. Davis M.Sc. F.G.S.
Head of Department of Geology and Geography, University of Hongkong

The use of such a term as "mining industry" in connexion with Hongkong would have, before the war, raised a smile among a group of mining operators or ore dealers on the international market. The rise in importance of Hongkong's mining industry is postwar. It began as the communist army swept closer southwards to Canton and the borders of the Colony in 1949. When finally the mainland of China and Hainan had been taken over by the People's Government, all free access to the mineral of China was barred. This meant that the coal of North China, wolfram, tin and antimony of South and West China, and the iron ore of Hainan Island were no longer available on the free markets of the world.

In these circumstances it was natural that the local deposits of iron ore, clay and especially wolfram would begin to assume a much greater importance than ever before. Concrete evidence of this interest is well illustrated by the following tonnages of iron ore (magnetite) shipped from the Colony to Japan. In 1948, only a bare 908 tons was exported, but in the succeeding years to 1951 the shipments jumped to 59,000, 169,000 and 160,000 tons. It is also interesting to record that in the 45 years the iron ore mine at Ma On Shan has been worked, its annual output, until 1948, never exceeded 1,000 tons.

The same startling increase of expansion is also paralleled with the production of wolfram. Excluding the immediate prewar period, dating from 1938 to 1941, it is doubtful whether the Colony's total production of wolfram, in any one year from the date it was first mined in 1914, ever exceeded more than 30 tons. The reason for this was simple. The wolfram supplies of South China in the provinces of Kwangtung, Kwangsi and Kiangsi were then open to the world market and the cost of production was lower than in Hongkong. The average price of a picul of wolfram (1 picul = 133.3 lbs.) immediately after World War II was HK$100. The price later increased slowly, until at the beginning of 1949, it had risen to HK$500. But with the shutting off of the supplies from China (China is the most important producer in the world), and with a general increase of international tension (culminating in the Korean war in 1950), the price by the middle of 1950 had reached an average level of HK$1,600. Fluctuations about this level are continuing. A conservative estimate of wolfram production during 1947 is about 2 tons. In the first few months of 1952 the output from all sources, official and unofficial, was probably in the neighbourhood of 50 tons a month.

Besides wolfram, iron ore and clay, other ores which have been exploited at various times in the Colony are lead, silver, tin and felspar. In connexion with the lead and silver deposits it is likely that in the near future there will be a considerable increase in production. The lead mine at Lin Ma Hang, operated by Hongkong Mines Limited, has been preparing for some time to gear itself for a vastly increased output. At the same time plans are well ahead for the development of a very rich galena lode which has been located in the Lam Tsuen Valley.

For many years now a high grade China clay has been exported to Japan from a pit at Cha Kwo Ling (near Devil's Peak). There are also other clay deposits of excellent quality which could be expanded if the demand increased. The important brick industry of Hongkong has been founded on the excellent clays which are spread widely throughout the New Territories. An example of the extent and economic value of one area of these clay deposits can be seen at San Hui, Castle Peak. Here the two large brickworks of Keen Sang and the Castle Peak Ceramic Company are capable of turning out a steady supply of 20,000 bricks a day, together with other clay products. The remarkable expansion of housing in the Colony has been responsible in the last few years for the establishment of many other brick plants with productions of considerable importance.

Another mineral deposit which occurs widely in the Colony is ochre (hydrated iron oxide). After driving off the water content this ochre forms a valuable filler for the local paint industry. Ochre is formed by the decomposition of rocks with a high iron content. One of the most favourable areas for ochre is at Tsuen Wan. Here the local rock, granodiorite, disintegrates into a particularly high-grade iron oxide.

The local molybdenum ores have so far never been in demand. The world supplier of molybdenum is America, with approximately 90 percent of the total. However with the opening up of so many wolfram areas the associated molybdenum by-product has been shown to be far more abundant than was ever previously thought. If a demand arose several tons of molybdenum could be gathered up from the tailings and waste dumps scattered around the wolfram workings. In America molybdenum is produced as the by-product of the copper deposits.

Two deposits of low grade graphite (plumbago), have been recorded in the New Territories: one at Un Long and the other on the East Brother Island. These two deposits are highly disseminated and normally cannot compete in quality with the highly concentrated deposits of Ceylon. However several mining attempts have been made with open-cast workings on the East Brother Island.

One advantage of the increase of mining undertakings has been the opening up of fresh sections, thus enabling closer geological and mineralogical

examination. Again further emphasis has been given (if we exclude the clays of the Colony) to the important fact that most mineralization occurs at the contact of different aged rocks. Recrystallization took place when megmatic impregnations were forced into the existing country rocks. This resulted in a remelting around the contacts with a consequent re-arrangement of the molecular structures to form new minerals. In general 90 percent of the Colony is covered with crystalline rocks. Only in a few places are there sedimentary rocks and these are mainly recent in origin in the form of sands, gravels and clays.

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Some unique and tricky problems have arisen as a result of this mining boom. In the case of iron, lead and clay, western production methods have in the main been adopted. But in the case of wolfram this has not been followed. Here the traditional Chinese method of irregular surface scratches, which follow the quartz vein, is adopted. No attempt is ever made to mine methodically or cleanly; no definite plan is adopted for the disposal of tailings; no real regard seems to exist for safety measures in the form of props; and seldom is any system of ventilation installed. The depth of this type of mining is governed by the smallest supply of oxygen on which a miner can survive.

The creation of a Department of Mines to regulate and control the industry was a very necessary one. In 1947, the Government set up a committee which was known as the Interim Mining Policy Committee. This Committee drew up Prospecting and Mining Regulations which were passed by the Legislative Council and published in the Gazette in January 1948. This Committee also recommended that a mining engineer be appointed. The need for such an appointment was further underlined by Dr. F. Dixey (Director of Colonial Geological Surveys, Imperial Institute, London) in his report to the Hongkong Government. He said that there was no systematic all-over control; no means of checking production; no supervision of labour conditions; and no adequate check-up to ensure that the natural amenities of the countryside (water courses, forestation and soil preservation) were guarded. This was the well-considered advice of an experienced geologist as far back as 1949. Thus it will be readily realized that the "gold rush" conditions of 1950 aggravated these nuisances many times over.

The appointment of Mr. W. M. Keay, as Superintendent of Mines in 1951, came as a great relief to bona fide mining operators and many others, because at long last a start could be made to control the industry and preserve the natural amenities of the countryside. One of the first things that the Department of Mines had to do was to issue a temporary Six-Month Prospecting and Mining Licence. To date 21 licences have been issued. This is a practical document, designed purely as a temporary measure, to enable mining and prospecting to continue until the complete set of Mining Laws and Regulations is published. At the same time about 60 buyers' licences for wolfram were issued. However the high prices that wolfram was getting brought in a deluge of illicit miners. It is estimated that scattered throughout the Colony during 1951 were some 10,000 people engaged in mining for wolfram. Of this number possibly only 2,000 had a lawful right to mine. From all sources it would seem that the Colony was winning about 60 tons of wolfram per month. At today's price this means that more than a million dollars' worth of business was involved. In this scramble for wolfram, which possibly out-rivalled the gold rushes in Alaska and Australia for primitive housing and sanitary conditions, the Department of Mines found itself swept off its feet. This was to be expected because the Department was new and virtually a "one-man affair". In the last few months there has been a move towards normality and the more serious problems are receiving attention. Already a set of Mining Laws and Regulations have been prepared and await the official approval of Government. The value of a Superintendent of Mines to the community at large has been amply proved by the amount of money which has been collected in the form of revenues and royalties. This amounts to somewhere near a quarter of a million dollars.

As was to be expected, the great profits which have come with the boom, also have brought in many undesirable people. Miners have been encouraged not to declare to their employers their full daily recovery of wolfram but rather to sell it on the black market. Again some licence owners of prospecting areas, bordering on the neighbouring workings, have made no attempt to mine legitimately but have steadily encouraged a flow of wolfram into their godowns by paying a higher price per catty than the owners of the worked property could afford to pay. These nuisances have been tackled energetically by Mr. Keay and it is known that he is also rapidly weeding out undesirable holders of buyers' licences.

The most developed areas with wolfram workings are Lin Fa Shan, Sha Lo Wan, Castle Peak, Shing Mun, Sha Tin, Ho Chung, N.E. Lantau Island, Ma On Shan and Gindrinkers' Bay. A visit to any one of these will demonstrate how illicit mining can damage our lovely hillsides. Indiscriminate dynamiting is removing the vegetation cover and allowing excessive soil erosion. The direct nuisance from this is that good paddy land below is contaminated and stream courses become blocked. Adequate supervision and a little care and attention can greatly reduce this damage. While our mining industry needs to be encouraged, and has an immediate value which is beneficial to the Colony, a much longer ranged profit will accrue from the beauty of our countryside. Our tourist industry is undeveloped but it could become an important item in the Colony's general business. If sensible mining methods are adopted, there is no need to despoil our scenery and it may well be advisable to consider the expansion of the Department of Mines so that adequate supervision will be possible.

STALIN, MAO AND KOREA

By B. D. Singer (of THE ECONOMIST)
(Special to the Far Eastern Economic Review)

When people ask "what is really going on between the Russians and the Chinese? Are Stalin and Mao Tse-tung rivals? Will Moscow and Peking one day quarrel?"—they are being more hopeful than curious. They hope that the newest Communist power will fall out with the oldest; they do not want to be told that the actual and possible differences between them are far less important than the vital interests that at present hold them together. The crucial point to remember is that China is now fighting the Soviet Union's chief rival—the United States. The Korean war has radically changed the pattern of relations between the veteran and the novice in world politics—Moscow and Peking. They are now fighting allies.

Early in 1950 Mao Tse-tung sat in the Kremlin for many weeks negotiating a treaty with the Russians. He was treated as an equal but his country was not. The Russians decided to remain until the end of 1952 in the great naval base and strongpoint of Port Arthur and to retain a control of the strategically important Chinese Eastern Railway; it looked as if the Russians did not yet trust their up-and-coming neighbours. Some people thought that Stalin feared another Tito in Peking. Now two years have passed and we now have learnt that the railway goes back to China this year, but that the Russians—at the request of the Chinese—will stay in Port Arthur. Indeed, that was the only published result of the negotiations in Moscow. Why do the Chinese welcome in 1952 what they certainly resented in 1950? Has Stalin's hand been strengthened in those two years?

Clearly the Chinese are frightened of the Americans whom they have challenged in Korea, and of the Japanese recovery. Their industrial plans are being held up. Cut off by blockade from almost all Western sources of supply they are increasingly dependent on the Russians; official statistics say that three-quarters of China's trade turnover is with Moscow. Only from there can Mao get for his troops the jets, the tanks and guns, the technicians and ammunition without which the Chinese would stand little chance against the United Nations forces. True, to supply the Chinese with these things at the end of long lines of communication is no easy matter for the Russians; they may have grudged it at first when the Korean campaign went wrong. But now they may feel that it is like the Spanish civil war—a testing ground for men and weapons; large American forces needed elsewhere are pinned down without the use of a single Russian soldier. Indeed, the Chinese have shown their capacity to protect the Soviet Union's eastern flank in case of world war. If Stalin really feels this, then he could safely release part of his Far Eastern Army for use elsewhere. The large flow of modern Soviet equipment into Korea is a sign that the Russians are handing over to the Chinese the bulk of the arsenals of the Far Eastern Army. Since this army was organised in the thirties by General V. Blucher, as an almost self-sufficient command, it has absorbed into Asia almost one quarter of Stalin's total forces.

It therefore pays the Russians to treat the Chinese well, even though the Korean war has increased Mao's dependence on Stalin. They do not play down his importance or treat him like the puppet ministers of Communist Eastern Europe. They ignore for the moment his independent line of doctrine. A quite Chinese ceremonial is observed to emphasise the equal status of the partners. The Chinese get trade terms which are, by Soviet standards, generous. A steady stream of Soviet experts and technicians are reported to be entering the Chinese economy, thereby, of course, increasing its dependence on Russia. Propaganda from both countries refers frequently to substantial shipments of Soviet heavy equipment to help Mao's drive to industrialise China. And so on.

But there are contradictions in the picture and questions to be asked. What has happened to the industrial plant in Manchuria, much of which the Russians dismantled after the war? Manchuria is the basis for China's industrial revolution—its Donbas—yet nothing is said about its future in the recent communiques about the Moscow talks. The silence may be significant: but other statements are to be expected in view of the fact that the Chinese ministers of fuel and machine tools, the chiefs of artillery and the air force are still in Moscow. It may be that the Russians prefer sending military aid and technicians to sending heavy equipment which they can ill spare and which would reduce China's dependence. And then there is the question of Outer Mongolia: the Chinese might one day ask that this thinly populated but strategically important country should cease being a "Soviet Autonomous Republic" and return to them.

These are, of course, differences that might exist between any two neighbouring powers; but there is another cause of friction arising out of the fact that Mao has not taken Stalin's advice in matters of Communist theory and action. His victory has been the greatest political success for the Soviet Union since the war, but it has also faced Soviet leaders with new and intricate problems. By a curious irony of history, Communist revolutions have hitherto succeeded not in industrialised western states—where according to Marxist theory the ground should be most suitable—but first in relatively backward Russia and then in a China without a real industrial working class. Stalin may not be worried about this curiosity—a proletarian dictatorship without a proletariat—but he must worry about this great "peasant-communist" revolution which was neither made nor designed in Moscow. While comrades Dimitrov, Rakosi or Tito himself were receiving in Eastern Europe their orders from the Kremlin, Mao Tse-tung was comparatively isolated in his Yenan Republic. Indeed, it was during Mao's leadership of the Chinese Communist party —from 1935 up to the final victory—that it had least contacts with the Soviet Union.

Because of this independence and the potential power of his country Mao cannot be a mere subordinate. He can be an ally, or a rival, or both. And the Russians seem, therefore, to have accepted the idea of dividing with the Chinese spheres of influence and Communist action in Asia. They may even welcome it at the present moment as a useful means of entangling China still further and causing as much mischief as possible to the western powers outside Europe. Recent articles in Soviet periodicals have emphasised China's interest in South Asian countries, particularly in Malaya, Siam and Burma. But will Mao be content for long with leadership of Communism in those countries? There have already been rumours that he is claiming for himself the control of the Communist Party in India, a direct neighbour of the Russians and another potential great power. Can Stalin take the risk of allowing Mao the same role in the Communist movement in Asia as he himself plays in Europe? Can there be two Popes

ECONOMIC NEWS FROM THE UNITED STATES

By E. Kann (Los Angeles)

(Special to the Far Eastern Economic Review)

The Financial Situation

When nearly 20 million tons of steel were lost to the country through the 55 days strike, it was only natural that all industries tied to ferrous metals had to suffer great hardships and cutbacks in their activity. However, not only the steel output has picked up marvelously, but most other manufactures are humming again. To consider one of the most important industries, autos, it is becoming obvious that, in the place of the 4,200,000 vehicles to be turned out in 1952, factories are making preparations for a 5 million production in 1953. When one reads that retail trade in America has slightly declined in August, observers must bear in mind that such recession was due entirely to the insufficient supplies of motor cars. The demand is persistent in face of a lagging production.

For many months there existed an outspoken stagnation in the retail sale of refrigerators, washing machines and other household gadgets. Now it has been shown that inventories have rapidly been reduced in face of continued demand. The entire textile industry, both as regards natural and synthetic fibres, has for about a year been in the doldrums; since July this year an upturn has taken place to an extent which makes output unable to follow the quick pace of trade demand. In other words, business activity is within a near distance of a new high since the close of world war II.

To all appearances the cost of living has risen sufficiently high and is likely to take a rest. Inflation is not a threat. Prices for clothing and shoes are high enough to take a rest. Building activity continues without abatement; home construction in 1952 is expected to reach 1.1 units, approximately the figure pertaining to 1951. However, cost of building now is much higher owing to increased labor costs.

Economic activity in this country is, of course, closely connected with the defense outlay. When the Korean imbroglio took its start military expenditure was at the rate of 12 billion dollars per annum; by July of 1952 the annual outlay was at a rate of 48 billion dollars; by the middle of 1953 it is expected that military expenditure will reach 56 billion dollars as a yearly rate. It is confidently expected that this will represent the peak.

Now the question has been in the mind of many people: If and when defense spending will level off, will a slump necessarily follow? When military expenditure will come down, it does not mean that it will suddenly cease altogether. The process (which includes monetary assistance to America's allies) will be a gradual one. In order to maintain employment levels, the authorities are bound to provide work of a constructive basis, as public buildings, road construction, etc.

In 1932/33 America had to undergo a serious banking crisis. Such derogatory movement would be obviated today through the institution of bank deposits being insured. Since then the country inaugurated also unemployment compensation which would cushion the decline in spending on the part of workers. Then there are old-age pensions meanwhile introduced, which would maintain an outstanding volume of expenditure on the part of recipients. Furthermore, agricultural price supports (formerly non-extant in their present form) are bound to prevent a collapse of the farming population's purchasing power.

America is bent upon to reach within say two years from now an annual output of 120 million tons of steel. Nowadays this quantity is being devoured by the nation's humming industry. But if war spending is over, what will be done with the excess quantities of state? The query certainly is topical. Yet, its intricacies are not being overlooked by American economists. It is pointed out with relevancy that the expansion in the use for peaceful purposes of aluminium, chemicals, etc. has been stupendous without being an obstacle to the orderly development of America's economy.

Taxes collected in the country (inclusive of state and local dues) in the course of the first semester work out at about an annual total of 92 billion dollars; national income aggregates about 288 billions, so that taxation represents on an average 30% of national income, a percentage which certainly is not low. Yet, reductions in personal income taxes cannot be expected before 1954, though there might be a cut in excess-profit taxes in the course of 1953.

Speaking of taxation in America. The excellent Washington Weekly "U.S. News and World Report" furnishes an instructive table, showing at a glance how most of the tax revenues are utilized, using 1940 (fiscal year) as basis for a comparison for the 1953 fiscal year:

	1940	1953
Military outlay	$1.6 billion	$51.8 billion
Atomic energy, economic aid, stockpiling	—	6.4
Interest on public debt	1.0	6.4
Veterans	0.6	4.5
Social Security	0.5	2.3
Agricultural aid	1.8	1.9
Public Works	1.0	1.6
Other expenditures	2.7	4.1

It would be futile to hide the existence of unfavorable factors which are hamstringing industrial progress. First

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in the Communist creed, a Peking as well as a Moscow Empire?

Clearly, the potential causes of friction are there—but so are the ties of interest. The latter prevail while there is war in Korea; but suppose Moscow and Peking decide to stop that real war and wage only cold war in Asia—by revolutionary propaganda. Then there could be a struggle for leadership. For Moscow, the Mecca of world Communism, has been obliged to accept the emergence in China of a Medina for Asian revolutionaries. So far it has accepted with good grace; but there are signs of uneasiness. The Soviet Academy of Sciences has used a discussion of revolution in Asia to offer Mao Tse-tung a snub: "though the importance of the Chinese revolution is particularly great," they said "it should not be taken as a fetish, as universal for all the situations which may arise in Asia." Russians find it hard to understand that Mao won China for Communism without the help of their bayonets and by tactics opposed to what they ordered. They will have to decide in the future how much help they must give to keep China with them and how much they must withhold to prevent their great neighbour becoming too powerful. But for the moment it is wiser to dismiss all thought of schism. The Korean war is cementing the alliance against the common enemy.

of all, the country has suffered much damage owing to the excessive occurrence of strikes (steel, oil, aluminum, airplanes, coal, etc.), movements which make the cost of all products continually higher. American exports abroad have recently fallen from $1.5 billion in May to only 1 billion in July, the lowest point in the last 18 months.

Private capital invested during the first 6 months of the current year aggregated $560 million, most of which was sunk in the petroleum industry abroad, which is doing well. Speaking of American investments abroad, it is thought appropriate to point to tendencies developing in South America as far as these concern American capital invested there. Irans are being duplicated there, it seems. The new president of Chile, a friend of Argentine's Peron, plans to lead the anti-USA block in South America 90% of Chile's copper industry is American owned, and president Ibanez del Campo had already previously hinted that he favored nationalization. Bolivia is the largest tin producing country; its ruling clique also is tied to Peron and anti-Yankee. Since America declined to pay excessively high tin prices, misery and bitterness resulted from closing down the tin mines. Now Bolivia also threatens to take over the tin mines. Venezuela, friendly to the United States, is today the most prosperous of the South American states, due to its oil and iron ore deposits.

Textile Fibers and Chemicals

As will be shown, textile fibers and chemicals are closely inter-related; not merely because a large section of textile fibers are creations of the chemical industry, but also because their processing requires a considerable quantity of chemicals; this refers equally to natural products, as cotton, silk and wool. Chemicals enter into every phase of textile production. Apart from dyes employed in quantity, enormous admixture of alkalis, acids, bleaching agents and finishing chemicals are consumed in producing textiles, or processing same. The following extracts are gleaned from "Barron's" of September 22, 1952.

It is not generally known, yet correct, that manufacture of textile materials require about one pound of chemicals for every pound of fiber consumed. Currently the United States consumes about 7 billion pounds of textile fibers per annum; this would indicate a similar quantity of chemicals consumed at the same time. This infers that textiles constitute the No. 1 customer of the chemical industry. From 20 to 25% of all petro-chemicals (about which I wrote repeatedly in the columns of the Far Eastern Economic Review) go into that field.

It is noteworthy to learn that the market for textile chemicals has been expanding much quicker than the consumption of textile goods. The production of dyes in the course of 1951 was about 50% greater than in 1939 (the same as the overall increase in textile consumption), rayon and acetate production was nearly three times as large when compared with 1939. And the output of new synthetic fibers in 1951 was 42 times as voluminous than the 1940 level.

Leaving aside the discovery of coal-tar dyes about 60 years ago, we arrive at the next phase, namely the discovery of rayon in 1911. This was followed by about a dozen new synthetic fibers brought to light in the course of the past decade. By means of chemical processes such synthetic fibers, the number of which is still growing, are given certain characteristics. Textiles are now being chemically treated to make them fire-resistant, water-repellant, shrinkproof, fungus- and moth-proof; or to make them more resilient, softer, stiffer or better. Nearly every chemical concern has money invested in textile enterprises.

Chemical companies now directly engaged in the production of synthetic fibers are E.I. du Pont de Nemours & Co., Union Carbide & Carbon Corporation and Virginia-Carolina Chemical Corpor. Dow Chemical and Monsato Chemical Co. are represented in the synthetic Fiber field through partly-owned affiliates. As much as 30% of Du Pont sales is derived from synthetic fibers. Du Pont produces rayon and acetate; besides also nylon, dacron and orlon. Furthermore, du Pont also supplies many textile chemicals, like dyes, finishes, etc. The American Cyanamid Co. produces melamine resins which are in increasing use in shrinkproofing fabrics. So far American Cyanamid is the only producer of acrylonitrile, a basic raw material for the fast-growing family of acrylic fibers, which includes du Pont's orlon, Union Carbide's dynel and Chemstrand's acrilan. Union Carbide is represented in the field of synthetic fibers by vinyon and dynel. Productive capacity of the latter now approximates 6 million pounds a year, but will be expanded to 20-25 million pounds per annum.

Tea in the United States

Speaking generally, coffee is the favorite beverage in America; as a matter of fact, coffee is the leading article of import into this country. And tea plays not even a second fiddle. In the long bygone years of the China Clipper, Chinese teas were much appreciated in America. Today, some tea is still being consumed, but the original China product has ceased to play any role here. This is partly due to the abrogation of commercial intercourse with present-day continental China. But the Formosan product, which is of excellent quality, ought to find more favor in the United States than it has succeeded to attract so far.

According to Barron's Weekly, a Chicago businessman is putting on the market a handy tea-maker, to take the place of the old-fashioned tea-pot. Something on a par with the modern coffee-maker. The heart of the new gadget is an infusion basket said to insure uniform strength in every brew. Such an automatic tea-maker might be instrumental in popularizing tea in this country.

For the convenience of the American public tea is often sold in small impregnated paper bags which are lowered either into a tea-pot, or else into the tea cup, in order to be permitted to be soaked there for a few minutes in boiling water. Personally I believe that these bags are filled with tea dust, not the best ingredients; and, besides, impregnated paper might not be able to add much to the fragrance which is expected of tea. But the procedure is simple and fast. In 1940 tea-bags accounted for 30% of sales; today they represent 40%.

The promotional campaign of the Tea Bureau, Inc. is trying to spearhead efforts to pour more tea down American throats. Leaving propaganda aside, it is a fact that tea is a product which comes from countries outside of the Iron Curtain, like Pakistan, Ceylon, India, Indonesia and Formosa, a factor which ought to encourage American imports of the commodity. Under prevailing conditions tea hailing from India and Pakistan combined brings to those countries about $20 million a year; to Ceylon a little more; to Indonesia from $4 to $5 million. Taiwan is not mentioned at all. However, from a recent issue of the "Far Eastern Economic Review" (No. 10) I see that Formosa's total annual export may be valued at $4 million; and of this, I feel sure, no more than $1 million is being shipped to the United States. If the Americans would take a regular cup of tea, or a stronger cup of tea, or an extra cup, they would materially increase the tea turnover and appreciably improve the balance of trade with tea-producing countries and thereby the prospects of United States exports to those nations.

Actual consumption of teas in the United States now aggregates about 90 million pounds for a population of

THE CONQUEST OF THE INDIAN OCEAN

As far back as 384-322 B.C. man has planned the conquest of the Indian Ocean. The first step was Aristotle's theory that the earth was round. He was certain that it was vastly bigger than the then known lands and oceans, but no Mediaeval sailor voyaged to test his theory. There was, in fact, no good reason why they should do so. In those days each district was self-supporting, except for eastern goods desired by the rich, and these were transported along the centuries old routes across Asia to the Mediterranean and the Baltic.

In Europe the goods were distributed by Italians and German merchants and few of these attempted to push into the East in the hope of increasing their profits. Fewer still thought of exploring a sea passage to the valuable source of these goods.

The European sailor of the day had no compasses and no instruments by which he could find out where he was, so the boldest scarcely dared to go out of sight of land.

In the 15th Century great changes came about and the sailor was given instruments which made it possible to steer ships far from land without disaster. Men thus had the means by which to explore and they also had the will to use them.

The lead was taken by Portugal and Prince Henry the Navigator, spurred by national ambitions, instructed his sailors to find a sea passage to the valuable spices of India. Henry's captains sailed further and further south along the coast of Africa, until in 1486 Bartholomew Diaz rounded the Cape of Good Hope into the Indian Ocean. Vasco da Gama was close behind him and sailed right around the Cape and up the east coast of Africa until he reached India itself.

With this information, the Portuguese moved eastwards across the "Great Ocean" looking for the source of the spice trade and came finally, in 1512, to the Moluccas, or Spice Islands. Here they built up a great trade.

Thus began the conquest of the Indian Ocean.

* * *

It was not until 1616, however, that the Ocean was crossed from west to east. In that year Dirk Hartog, in the Eendracht, sailed across the Ocean from South Africa to Australia and landed on the island that bears his name near Shark's Bay. As a record, he took a pewter plate, hammered it flat and scratched upon it the name of his ship, himself and his officers. He then nailed the plate to a post to mark his discovery.

Hartog was followed by a long series of Dutch voyages, the best-known of these were by the ship Zeewolf, (1618), Frederick de Houtman and his fleet of eleven ships, (1619), Leelwin, (1622) and the Golden Zeepaard, (1627). These Dutchmen did not follow the same route as the early Portuguese. They followed the track of Hendrik Brouwer, who, in 1611, instead of sailing up the coast of Africa to Madagascar after leaving the Cape of Good Hope, turned due east after leaving the Cape, sailed 4,000 miles in that direction and then turned due north to the East Indies.

He astounded the East India Company by arriving one year ahead of schedule, thus the Company instructed all its captains to follow Brouwer's new route.

Perhaps the man who contributed most to the discovery of the Indian Ocean was Abel Tasman. On August 14, 1642, Tasman sailed from Java to Mauritius and then far south in search of the southern land, but, failing to find it, turned east and found Tasmania. He then sailed on, discovered New Zealand, then back to Java via the Friendly Islands and Fiji.

Next in the long line of Indian Ocean conquerors was Captain Cook, who, after circumnavigating New Zealand, discovered the east coast of Australia. He then sailed to Java and returned across the Ocean to England via the Cape.

On November 13, 1787, eleven ships sailed from Cape Town bound for Botany Bay to establish a new British colony in Australia. The Fleet reached Botany Bay in three batches on January 18, 19 and 20, 1788.

The route the First Fleet followed became the standard route for sailing ships between South Africa and Australia until 1848 when the Admiralty despatched the Barque Constance to find a quicker route. Constance left the Cape, turned south-west to about latitude 50° and gained the strong westerly winds which drove the ship along at a great pace. Constance reached Melbourne from England in 79 days instead of the usual 120. The route became known as the "Great Circular Course".

Next came the clipper ships, which sailed from England to Australia via the Cape in 63 days 17 hours. In 1831 the first steamship Sophia Jane sailed across the Ocean. The Sophia Jane was a paddle-wheel ship which used sail as well as steam.

The first P & O steamer crossed the Ocean in August, 1852, and from that date steamers gradually improved, and practically displaced the sailing ships.

The opening of the Suez Canal in November, 1869, made the voyage from England to Australia a fortnight shorter and cut the number of ships making the Indian Ocean crossing from South Africa to Australia to practically nil. So ships conquered the great expanse of water.

* * *

One is inclined to wonder why the vital factor to air transportation has not yet been firmly established across the Indian Ocean. The chief reason why this 29,340,000 square miles of Ocean has not been crossed from east to west by the modern airliner is that the Ocean is almost devoid of landing places and it is often a tempestuous Ocean with radio stations few and far between. To-day, however, radio stations have been established at Heard Island and Macquarie Island and good landing strips at Cocos Island and Mauritius have made it possible to operate modern airliners from Australia to South Africa.

Airmen have always been interested in the Indian Ocean and the conquest of the great expanse of water. As far back as 1936 Imperial Airways and Qantas Empire Air-

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nearly 160 million people. This quantity is about equal to the consumption in America 60 years ago, when the population was only about one-half of what it is now. For about 100 years the quantity of tea consumed in this country remained stationary at slightly above 1 pound per year, until world war I. In the twenties and thirties there was a decline from which there has as yet been no recovery. The consumption of tea in 1951 was merely 0.64 pounds per head. Coffee provides a strong contrast. In the mid-twenties consumption was 11 pounds per annum, but by 1940 it had risen to 15½ pounds. In the late forties the figure had risen to 19 pounds of coffee per person. Since then a more than 50% advance in price had trimmed consumption to between 16 and 17 pounds per annum per head. While it takes only ½ cent to brew a cup of tea, it costs 2½ cents to make a cup of coffee.

ways examined the possibilities of operating a service linking Australia and South Africa via Ceylon.

It was not until 1939 that P. G. Taylor, in the Archbold expedition Catalina "Guba" surveyed a possible flying boat route to Mombassa, East Africa, via Cocos Island, Diego Garcia and the Seychelles. Captain P. G. Taylor's flight was the first trail-blazing phase of the conquest of the Ocean by air.

The second phase of the conquest of the Ocean by air began during May, 1943, when an R.A.F. Catalina squadron crossed the Ocean from Ceylon to Perth. On July the 19th of that year, the first regular weekly service made the crossing.

Made necessary by the Japanese cutting the existing Empire routes, the wartime Indian Ocean operations provided one of the epic achievements of aviation. In an endeavour to reforge the broken Empire link, a project was put to the British and Australian Governments to re-link the countries by flying non-stop across the Indian Ocean. The project met with quite a lot of opposition which had to be overcome before full agreement was reached, and Qantas Empire Airways was asked to operate the service for B.O.A.C. with Catalinas loaned by the British Government.

The Indian Ocean service was beset with hazards not normally encountered in peace time. To begin with, the Perth—Ceylon journey constituted the world's longest air hop (3,513 miles) and had to be made in complete silence. Because of this, meteorological data was difficult to obtain, and a system of long range weather forecasting had to be introduced.

While the Catalinas were in operation, a period of just over two years, they made 270 crossings, carrying 113,760 pounds of official documents and mails, 14,383 pounds of freight and 648 high priority passengers. Including test and delivery flights, a total of over 1,000,000 miles was reached in the 2 years the Catalinas operated over the Indian Ocean.

The Catalinas were designed for a normal "all up" of 27,000 pounds, but to get a heavy load of fuel to make the 3,513 mile flight possible, it was necessary to operate the Catalinas at 35,150 pounds to carry an average payload of 1,000 pounds. Therefore the aircraft were overloaded to the extent of approximately 4 tons at the beginning of each flight. After 10 hours' flight the fuel consumed reduced the "all up" weight of the aircraft to that which gave the Catalinas a single engine performance and the normal fuel safety margin in rough weather. To safeguard the aircraft, six valves were fitted so that in the event of emergency, such as one engine cutting out, the fuel could be jettisoned, and the aircraft able to fly along safely on one engine. These valves were used very efficiently on a few necessary occasions.

The normal fuel tankage of a Catalina is 1,460 imperial gallons, which is contained in the wings. For the Indian Ocean service, the Catalinas were fitted 8 extra tanks which were installed in the engineer's compartment. These tanks contained 66 imperial gallons each making a total of 1,988 imperial gallons in the aircraft when ready for departure. This fuel weighed 14,300 pounds (nearly 7 tons). When the Catalinas finished the 3,513 mile flight, they weighed approximately six tons lighter than when they set off.

It was not until three years after the war ended—November, 1948—that the first direct flight across the Indian Ocean between Australia and South Africa was made. Aviation history was made on November 20 when the Qantas Empire Airways Lancastrian four-engined airline made the direct crossing in a flying time of 39 hours 58 minutes. The return flight went down in history as the first direct flight between South Africa and Australia.

Thus man took the final step and conquered the Indian Ocean by air. The finale of the centuries-old drama, the Conquest of the Indian Ocean, was the commencement on September 1, 1952, of a regular air service across the great Ocean linking the two sister dominions, South Africa and Australia.

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MALAYAN AROMATIC GRASSES OF COMMERCIAL IMPORTANCE

Only a few of the several species of aromatic grasses have any commercial value. Essential oils are distilled from lemon grass, citronella, gingergrass, palmarosa and vetiver. These oils are obtained from the grass or leaves, except for vetiver oil which is obtained from roots. The last war has changed the sources of supply from India and Java to Central American countries, notably Guatemala and Honduras for the American market. The sterling areas are however dependent upon supplies from India, Java and Ceylon. Of the above mentioned species, lemongrass and citronella grass have been known to be cultivated on a commercial scale in Malaya.

Lemongrass

The demand for lemongrass oil has received an added impetus due to the synthesis of vitamin A from this oil. It is not unlike citronella grass and has been fairly extensively grown in Malaya during the last century. There are two types of lemon grass, flexuosus and citratus, the former being confined to India. The oil content of both types is similar but varies in its degree of solubility in alcohol.

Lemongrass requires a warm climate with plenty of sunshine and a sufficient but not excessive rainfall, preferably uniformly distributed through the year.

Lemongrass is not very exacting as regards soil conditions, well drained sandy loam or sufficiently fertile sandy soil are best. Dark heavy rich and fertile soil gives a higher yield of grass but the quality is lowered.

The Indian plant is grown from seed sown during the commencement of the rainy season and develops rapidly. In the early stages it must be protected from depredations by cattle and goats. The first harvest is taken when the heavy monsoon rains commence. Thereafter cutting takes place every six to seven weeks, the plant growing rapidly after each cutting. The yield of oil is lowest during the rainy months. During the dry season in December the plant blooms and later the stem and leaves die off.

The species grown outside India rarely flowers and it is propagated by means of root division.

Lemongrass is the most soil exhausting crop known and because of this the life of a plantation is limited to eight to ten years. Fertilisers can however be applied to established crops with beneficial results.

For small plantations lemongrass is cut with sickles, but where labour costs are high a mechanical harvester can be employed. For minimising transport costs, harvested grass can be dried to between 45 per cent to 66 per cent of its original weight without serious loss of oil content. Extraction of oil can be done by distillation with water in copper stills or by steam distillation. In the latter case 2 to 2½ tons of materials are distilled at forty to seventy pounds pressure and the operation is completed in under three hours.

Indian lemongrass yields about seventeen pounds of oil per ton of grass. In the Belgian Congo the yield is thirty-five pounds per ton of grass while in Madagascar it varies from forty-five to seventy pounds per ton.

Lemongrass oil is used mainly in the perfumery industry and as a source of citral from which a number of other perfumery materials are made. It is also a raw material for the manufacture of vitamin A. It must be stored in air-tight containers of glass or well tinned iron, protected from light and in a cool place.

Citronella

Two closely related species of citronella are cultivated but these yield essential oils which differ in composition. The Ceylon species is cultivated almost exclusively in Ceylon and yields the oil commercially known as "Oil of Citronella Ceylon". The Java species is also grown in Central America and the Belgian Congo.

Citronella grows well in altitudes up to about 2,000 feet. The grass needs abundant rainfall and plenty of sunshine. Deep sandy soils are often better than loamy or fertile soil. They are less affected by weeds, although the yield of leaf is lower, the percentage of oil in the leaf is higher and saves transport and labour costs.

Mechanical planting has been successfully carried out in Central America but in other countries manual labour is employed. Propagation is by root division at the beginning of the rainy season. After the first year, it is only necessary to weed once or twice in the year.

As in the case of lemon grass, citronella grass exhausts the soil. Ammonium sulphate and potassium phosphate have been recommended as fertilisers but most plantations are not manured to any great extent except by the spent grass and the ash from the spent grass. Regeneration by green manuring has been practised in Java but by this method the land is immobilised for about two years.

Before harvesting the plantations are cleaned of all foreign grasses and any flowering stalks, as these yield no

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oil. In Java, the first harvest occur after a full year's planting but in other parts the first cutting is taken at six to eight months after planting and thereafter at four monthly intervals.

The grass is first allowed to dry in the field and the length of time allowed varies with the country. Any drying without loss in oil yield constitutes a saving in transport and fuel costs. Both water and steam stills are used for the distillation of citronella oil.

An economical charge of 20 to 24 cwt. of grass takes five to six hours to distill by boiling. In the most modern factories a steam pressure of forty to seventy pounds requires forty-five to seventy-five minutes distilling time and produces a good quality oil. Although the yield is slightly less than the yield by the old process there is some saving in operating costs. In Java the average annual yield is forty pounds of oil per acre per year while in Ceylon it is thirty-three to fifty pounds per acre per year. In the American countries the yield is higher and is about ninety-seven pounds per acre per year.

Java citronella oil is the more valuable of the two oils. It contains 85 per cent of "total alcohols" calculated as geraniol, including 35 per cent or more of citronella. This oil is therefore a valuable source of important perfumery materials from which many others are manufactured.

Ceylon citronella oil contains only 55 to 65 per cent of total alcohols including 7 to 15 per cent citronella. This oil is used chiefly for sprays, detergents and polishes and is therefore not very highly priced.

Citronella grass as described in Burkills is the Malayan equivalent of "Sereh Wangi" and at one time there were plantations of this grass on the island. The name Geylang Serai, a variation of the word sereh, is a reminder of the fact that this area was once used for citronella cultivation.

MALAYAN RUBBER REVIEW

The substantial decline in all sections of the Malayan rubber industry in the first half of 1952, admittedly from an all time record level, is only too obvious from a study of the figures of estate production and miller production for that period in comparison with those for previous years.

The actual figures for imports, production and exports for 1950, 1951 and the first half of 1952 are given in the following table:—

	1950 Tons	1951 Tons	1st half 1952 Tons
Imports (including rubber for remilling)	448,656	547,106	167,222
Production:—			
(a) Estates and Small-holding	694,089	605,346	279,025
(b) Miller and Smoker	250,778	310,285	94,452
Exports	1,106,499	1,155,267	455,664

A closer examination of the figures of imports reveals that the decline has been more serious in the quantities of scrap, slab and unsmoked sheet imported for processing than in the volume of finished grades imported.

Imports of scrap, slab and unsmoked sheet declined to 74,476 tons for the first half of 1952 compared to 278,372 tons and 238,116 tons for the years 1951 and 1950 respectively.

The breakdown of total imports is given below for the years 1950, 1951 and the first half of 1952:—

	1950 Tons	1951 Tons	1st half 1952 Tons
(a) Slag and Scrap for remilling (b) Unsmoked Sheet	238,116	278,372	74,476
(c) Finished Grades	210,540	268,734	92,746
Total	448,656	547,106	167,222

The effect of the substantial decline in imports of rubber for processing has already been shown in the figures for miller and smoker production, where production in the first half of 1952 fell to 94,452 tons compared to 310,285 tons for the whole of 1951.

Factories in Singapore, where the bulk of the rubber is processed, have been particularly badly hit, and four of them have been forced to close down completely.

The total decrease in Malayan production in 1952 is accounted for by an almost equivalent reduction in estate production and production on smallholdings.

The figures available for the acreages of tappable rubber not tapped on estates throw some light on the manner in which this reduction in 1952 production has come about.

Acreages of Tappable Rubber Not Tapped on Estates of 100 Acres or Over

	On Estates Not in Production Acres	On Estates In Production Acres	Total Acres
December 1951	25,553	145,767	171,320
June 1952	49,800	92,958	142,758

These figures reveal that although some estates have gone out of tapping in the first half of 1952, the resultant decrease in acreage in tapping has been more than compensated by an increase in the acreage in tapping on the remaining estates. The total acreage of estate tappable rubber, however, was reduced in the same period from 1,749,737 acres to 1,707,144 acres and the total estate acreage tapped for June showed a slight decrease, being 1,564,386 acres, compared to 1,578,417 acres for December 1951.

The decrease in estate production would not, therefore, appear to be the result of the closing down of estates on any significant scale or of a substantial reduction in the acreage of rubber tapped, but to the necessary resumption of selective tapping following the serious decline in the price of rubber in the first half of 1952.

The volume of Malayan production for 1952 as estimated by the Rubber Study Group is 550,000 tons, against the 279,000 tons actually harvested for the first six months of the year.

As was to be expected from the above analysis, the largest decrease in exports has occurred in exports of thick remilled crepe.

	1951 Tons	1st half 1952 Tons
Thin Remilled Crepe	56,927	16,256
Thick Remilled Crepe	210,845	63,285
Estate Brown Crepe	52,674	26,513
Ribbed Smoked Sheet	745,117	317,505
Thin Latex Crepe	9,498	6,474
Sole Crepe	10,074	6,029
Latex	60,386	19,545

Exports of latex, however, have decreased just as much as those of thick remilled crepe, although there is some increase in the relative volume of exports of other prime grades, namely thin latex crepe and sole crepe.

THE FOREIGN TRADE OF INDOCHINA

December 1951 & Jan.-March 1952

	1951 December		1952 January		1952 February		1952 March	
	Tons	IC$m	Tons	$m	Tons	$m	Tons	$m
Imports	72,200	723.4	89,100	934.0	72,500	809.0	67,600	770.1
Exports	66,700	257.6	48,300	250.5	33,000	217.0	76,400	283.8
Total	138,900	981.0	137,400	1184.5	105,500	1026.0	144,000	1053.9

	1951 Jan.-March		1952 Jan.-March	
	Tons	$m	Tons	$m
Imports	126,500	1,154.8	229,200	2,513.1
Exports	153,400	679.8	157,700	751.3
Total	279,900	1,834.6	386,900	3,264.4

INDOCHINA'S FOREIGN TRADE BY COUNTRIES

For December 1951 & January, February, March 1952

IMPORTS

	1951 December		January		1952 February		March		1951 Jan.-March		1952 Jan.-March	
	Tons	IC $m	Tons	$m	Tons	$m	Tons	$m	Tons	$m	Tons	$m
France	28,500	522.6	45,700	736.8	45,600	649.9	35,600	594.9	63,100	927.2	126,900	1,981.7
France Overseas	3,000	23.7	4,500	17.9	3,300	19.8	1,300	29.4	6,600	28.6	9,100	67.1
U.S.A.	2,500	35.7	2,500	43.7	3,600	54.5	8,500	52.7	8,200	39.5	14,600	150.9
India	300	4.0	1,400	18.9	300	4.5	400	7.4	1,500	7.9	2,100	30.9
Hongkong	20	1.0	100	2.3	—	0.6	1,800	2.6	100	0.8	1,900	5.4
Indonesia	25,600	22.6	23,000	18.9	11,200	11.3	12,800	13.8	31,800	26.4	47,000	46.0
China	1,400	17.8	900	11.8	400	7.0	600	12.4	1,200	18.9	1,900	31.2
Thailand	1,200	10.2	800	2.8	1,000	3.3	1,000	2.8	1,000	5.5	2,800	9.0
Japan	5,200	46.0	5,700	41.3	1,100	17.2	1,800	16.2	5,400	24.6	8,600	64.8

EXPORTS

	1951 December		January		1952 February		March		1951 Jan.-March		1952 Jan.-March	
	Tons	$m	Tons	$m	Tons	$m	Tons	$m	Tons	$m	Tons	$m
France	15,100	85.8	13,000	124.9	5,100	93.6	4,100	48.8	30,100	323.7	22,200	267.3
France Overseas	2,600	8.7	—	0.1	1,500	5.7	18,000	62.2	40,700	94.5	19,500	68.0
U.S.A.	2,100	45.6	1,000	21.5	1,000	17.2	700	12.4	4,000	103.8	2,700	51.1
Hongkong	1,200	16.1	2,400	36.9	1,500	29.5	3,100	30.4	5,600	19.3	7,000	96.7
Malaya	5,200	19.8	5,000	16.7	6,800	20.4	16,500	43.4	18,600	40.3	28,300	80.5
China	—	—	100	0.1	300	0.3	100	0.1	2,400	10.7	50	0.5
Thailand	700	5.9	600	2.5	400	6.7	400	6.0	1,100	5.1	1,400	15.2

Indochina's Principal Exports by Countries

For January-March 1952

	1951 Jan.-March		1952 Jan.-March	
	Tons	$m	Tons	$m
Hongkong:				
Vegetables, Dried	193	1.1	598	3.5
Cement	772	0.3	595	0.3
Oil	2,000	1.2	1,125	0.5
Malaya:				
Vegetables, Dried	123	0.8	206	1.4
Rice, Cargo	6,727	11.6	7,896	21.0
,, , White	—	—	1,581	5.5
,, , Other	3,367	4.0	6,563	10.6
Cement	2,972	0.8	2,384	1.0

	1951 Jan.-March		1952 Jan.-March	
	Tons	$m	Tons	$m
France:				
Pepper	216	20.9	161	15.1
Rice, White	13,615	35.7	1,671	8.1
Maize	977	1.6	—	—
Oil	1,610	0.7	6,930	2.5
Rubber	9,305	251.1	11,883	229.4
France Overseas:				
Rice, White	24,835	60.4	12,913	45.2
,, , Broken	15,408	31.2	7,112	23.4
U.S.A.:				
Rubber	3,927	103.0	2,762	49.8
Japan:				
Oil	27,530	6.7	20,000	6.7

INDOCHINA'S PRINCIPAL IMPORTS

December 1951 to March 1952

	1951 December		1952 January		1952 February		1952 March		1951 Jan.-March		1952 Jan.-March	
	Tons	IC $m	Tons	$m	Tons	$m	Tons	$m	Tons	$m	Tons	$m
Live Animals	4	—	18	0.1	14	0.1	2	0.1	59	0.7	34	0.4
Dairy Products	1,727	21.6	1,916	28.5	1,789	24.7	1,093	16.6	3,068	35.5	4,798	69.8
Potatoes	2,016	7.3	2,786	8.0	927	2.6	1,697	4.9	4,449	10.9	5,410	15.4
Cereal Products	2,512	10.8	4,396	19.4	2,459	1.0	1,692	7.7	7,631	26.6	8,547	38.1
Sugar	3,282	14.4	4,707	21.9	9,714	44.5	2,538	12.6	6,816	26.7	16,954	79.0
Vegetables Preserved	902	7.3	1,230	10.6	1,702	12.8	1,246	9.7	1,299	8.7	4,178	33.1
Wines & Spirits	1,761	18.5	2,304	20.4	979	9.6	1,209	8.8	2,066	19.5	4,492	38.7
Brandy & Liqueurs	442	9.9	600	14.7	353	8.3	332	8.2	653	12.2	1,285	31.1
Tobacco	849	14.4	682	12.8	882	17.7	700	11.2	1,366	22.6	2,264	41.8
Gasoline	19,582	19.3	16,507	16.7	7,995	8.5	8,478	9.0	24,354	22.9	32,980	34.2
Heavy Oils	7,706	4.3	7,244	4.0	4,258	2.5	3,485	2.3	9,393	5.0	14,982	8.8
Other Petroleum Products	996	3.4	1,539	6.1	1,002	3.7	1,739	5.7	1,495	2.8	4,280	15.5
Pharmaceuticals	203	19.7	363	43.6	244	23.1	364	37.5	585	45.2	971	104.1
Essential Oils; Perfumes	146	7.6	155	9.1	72	4.0	107	7.3	265	12.1	334	20.4
Rubber Manufactures	270	11.7	635	22.4	440	19.1	386	17.0	538	16.9	1,461	58.5
Paper & Mfrs	2,450	30.0	3,412	44.8	3,809	38.6	2,209	30.3	4,625	36.0	9,430	113.8
Cotton Yarn	309	19.2	313	18.2	273	16.1	407	23.9	414	24.1	993	58.3
Other Yarns	145	17.3	150	17.3	135	10.1	163	9.4	253	20.0	448	36.8
Cotton Textiles	1,221	102.3	1,870	157.3	1,405	116.3	1,448	108.0	3,585	258.3	4,723	381.7
Rayon Textiles	160	22.4	195	27.4	122	17.3	161	23.6	322	37.8	478	68.3
Gunny Bags	1,504	21.2	2,082	29.8	1,202	18.9	561	8.6	891	7.1	3,845	57.3
Iron & Steel	4,545	19.6	6,229	28.1	7,513	34.8	4,232	19.7	8,644	28.2	17,974	82.6
Metal Wares	1,516	26.1	1,988	31.2	2,384	34.9	1,881	35.7	2,990	40.1	6,253	101.9
Machinery & Appliances	795	28.4	809	28.1	644	27.7	1,002	34.3	2,078	57.9	2,455	90.0
Electric Machinery & Appliances	297	17.2	395	23.9	352	18.3	348	21.8	844	33.3	1,095	63.9
Railway Material	252	5.2	239	5.4	369	24.6	495	7.2	63	0.8	1,103	37.3
Automobiles & Accessories	944	25.9	729	21.1	932	28.0	1,048	32.9	1,197	24.3	2,709	82.0
Cycles, Motors & Access.	322	15.5	440	20.9	289	14.7	289	16.9	777	31.6	1,018	52.5

INDOCHINA'S PRINCIPAL EXPORTS

December 1951 to March 1952

	1951 December		1952 January		1952 February		1952 March		1951 Jan.-March		1952 Jan.-March	
	Tons	IC $m	Tons	$m	Tons	$m	Tons	$m	Tons	$m	Tons	$m
Fish, Dried, Salt or Smoked	107	0.8	133	0.9	171	1.3	6	0.1	1,264	5.5	310	2.3
Vegetables, Dried	201	1.0	153	1.0	150	0.9	513	3.0	587	3.3	816	4.9
Tea	24	0.7	10	0.2	30	0.8	40	1.0	103	2.8	80	2.1
Pepper	54	5.1	25	2.3	45	4.3	97	9.1	221	21.4	167	15.6
Rice, Cargo	11,616	30.7	3,980	10.6	9,959	30.5	25,597	79.5	10,908	20.2	39,536	120.6
,, , White	3,082	10.4	7,748	27.1	1,221	4.1	16,613	58.5	50,166	122.6	25,582	89.7
,, , Broken	4,451	10.7	1,066	2.3	2,481	6.9	10,085	28.7	20,772	41.9	13,632	38.0
,, , Other	2,147	4.4	1,774	2.6	1,318	2.2	3,874	6.7	5,079	7.0	6,966	11.5
Maize	18,141	34.6	1,565	3.1	3,922	7.8	149	0.5	4,273	6.3	5,636	11.4
Kapok	60	1.0	32	0.5	184	3.4	146	2.4	147	2.8	362	6.4
Fish Oil	155	0.6	25	0.1	20	0.1	429	0.8	290	1.0	474	0.9
Cement	144	0.1	595	0.3	1,192	0.5	1,192	0.5	3,764	1.1	2,979	1.3
Oil	18,110	6.5	18,220	6.5	2,250	0.7	7,585	2.6	33,177	9.5	28,055	9.8
Rubber	5,735	119.4	7,257	141.2	5,655	107.4	2,693	42.2	13,984	373.6	15,605	290.8
Skins & Hides	79	2.3	114	3.7	107	4.0	106	3.9	305	5.1	327	11.6

INDOCHINA SHIPPING REPORT

March to June 1952

Port of Saigon:	Arrivals			Departures		
	Vessels		Cargo	Vessels		Cargo
1951	No.	Tonnage	Tons	No.	Tonnage	Tons
Monthly Averages	80	212,200	91,600	81	211,600	70,300
1952						
March	93	260,500	125,400	97	279,200	80,200
April	97	274,500	146,000	94	251,300	69,200
May	94	238,100	232,600	90	232,600	70,600
June	96	271,600	143,300	95	270,900	63,100
Total	380	1,044,700	647,300	376	1,084,000	283,100

March-June 1952:
Ocean steamers in & out, 756 of 2,078,700 tons; Cargo 930,400 tons.

Other Ports:

1951						
Monthly Averages	34	74,100	900	33	71,900	30,200
1952						
March	43	93,500	7,800	40	87,500	30,500
April	40	108,800	—	41	107,400	24,600
Total	83	202,300	7,800	81	194,900	55,100

March-April 1952:
Vessels in & out, 164 of 397,200 tons; Cargo 62,900 tons.

INDOCHINA AVIATION

March to June 1952

Saigon Airport:	Arrivals			Departures		
1951	A/c. No.	Passengers	Freight Tons	A/c. No.	Passengers	Freight Tons
Monthly Averages	65	1,224	127.9	64	1,450	130.4
1952						
March	77	1,336	140.0	75	1,874	100.2
April	77	1,433	142.2	73	1,861	92.2
May	81	1,280	142.4	74	1,802	109.1
June	70	1,226	126.7	64	1,684	95.1
Total	305	5,275	551.3	286	7,121	396.6

March-June 1952:
Aircraft in & out 591; Passengers 12,396; Freight 947.9 tons.

Internal Traffic:

1951						
Monthly Averages	1432	16,773	1216.0	1484	17,325	2034.0
1952						
March	1764	18,706	1220.0	1762	17,727	2350.0
April	1767	20,371	1279.0	1764	19,196	2420.0
May	1763	17,638	1277.0	1759	16,206	1329.0
June	1685	17,478	1232.0	1686	15,941	2000.0
Total	6979	74,193	5008.0	6971	69,070	8099.0

March-June 1952:
Aircraft in & out 13,950; Passengers 143,263; Freight 13,107 tons.

Grand Total:
Aircraft in & out 14,651; Passengers 155,659; Freight 14,313.2 tons.

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Hongkong Statistical Reports

For August & Jan.-Aug. 1952

Below are given various statistics issued by the HK Government for August 1952. Figures for July are contained in the **Review** of Sept. 18 (Vol. XIII, No. 12, page 379).

Vital Statistics—Births registered in August 6299 (Chinese 6214; non-Chinese 85). Total for Jan.-Aug. 43,589 (Ch. 43,091, non-Ch. 498).

Deaths registered 1574 (Ch. 1554, non-Ch. 20). Total Jan.-Aug. 12,695 (Ch. 12,574, non-Ch. 121).

Slaughter House—Animals slaughtered 58,696 (swine 57,458). Total Jan.-Aug. 443,600 (swine 435,688, sheep & goats 5850, cattle 2062).

Vegetables—Vegetables marketed at the Govt. wholesale vegetable market, Kowloon, 2,170.25 tons. Total Jan.-Aug. 32,666.10 tons.

Fish—Fish marketed 3,443.3 tons. Total Jan.-Aug. 20,531 tons.

General Post Office—Post Office Revenue for August $1,280,758.50 (Sale of stamps $1,034,636; receipt stamps $171,000). Total Jan.-Aug. $10,139,-147.36 (Stamps $8,161,366.32; receipt stamps $1,446,330; stationery $512,-319.60; postage due labels $19,131.44).

Traffic Accidents & Casualties—Number of accidents 718 (HK 344, Kowloon & N.T. 374). Monthly average for 1951, 571. Total Jan.-Aug. 5174 (HK 2670, K & N.T. 2504).

Number of Casualties 358 (HK 118, K & NT 240). Total Jan.-Aug. 2443 (HK 935: fatal 31, serious 135, slight injury 769; K & NT 1508: fatal 46, serious 230, slight 1232).

Vehicular Traffic—The number of vehicles and drivers licensed as at August 31 was as follows:

Vehicles:	
Trams	117
Motor Cycles	1,047
Private Cars	10,698
Taxis	334
Public Hire Cars	283
Motor Buses	488
Public Commercial Lorries	1,400
Private Commercial Lorries	1,114
Govt. Cars & Lorries	761
Rickshaws (Private)	85
,, (Public)	853
Tricycle (Goods)	805
Chairs	27
Hand Trucks	3
Trailers	20
Drivers:	
Motor Drivers' Licences*	36,363
Learners' Licences*	99,162
Driving Tests*	56,033
Rickshaw & Tricycle Drivers	4,094
Hand Truck Drivers	14

*Cumulative since reoccupation of HK.

Cement—Production of cement during August amounted to 4472 metric tons. Total output for Jan.-Aug., 50,854 m. tons.

Gas—Manufacture and distribution of gas in Aug. amounted to 43,682,500 cubic feet (domestic 38,601,200 cu. ft.; industrial 2,092,200 cu. ft.; public lighting 2,989,100 cu. ft.). Total for Jan.-Aug. 380,884,700 cu. ft. (domestic 341,906,400 cu. ft.; industrial 15,451,800 cu. ft.; public lighting 23,526,500 cu. ft.).

Building—New building construction in August: 120 buildings costing $5,977,118 with site work $229,523. (Average monthly cost of building construction in 1951 $6.5 million; in 1950 (April-Dec.) $9.8 million). Total Jan.-August: 854 buildings costing $57,726,125 with site work $2,161,356.

HK Production of Electricity

	August Kw. Hrs.	1952 January-August Kw. Hrs.
Lighting	9,009,402	72,686,107
Power	12,353,981	93,822,334
Traction	908,660	7,799,220
Bulk Supply Consumers	11,219,942	83,246,459
Public Lighting	166,148	1,356,969
Total	33,658,133	258,911,089

KOWLOON-CANTON RAILWAY (BRITISH SECTION)

Goods & Passenger Statistics

	1952 August No.	Jan.-August No.
Passengers: Local:		
Upward	107,713	1,063,254
Downward	123,155	1,060,607
Concession Tickets	18,470	145,911
,, Foreign:		
Upward	—	—
Downward	—	—
Goods: Local:	Kgs.	Kgs.
Upward	3,188,020	22,739,640
Downward	17,571,760	93,378,840
,, Foreign:		
Upward	—	—
Downward	—	—
Revenue: Passengers:	H.K.$	H.K.$
Local	205,211.45	1,790,903.25
Foreign	—	—
,, Goods:		
Local	146,188.55	828,173.95
Foreign	—	—
Miscellaneous Receipts	442,081.82	944,201.33

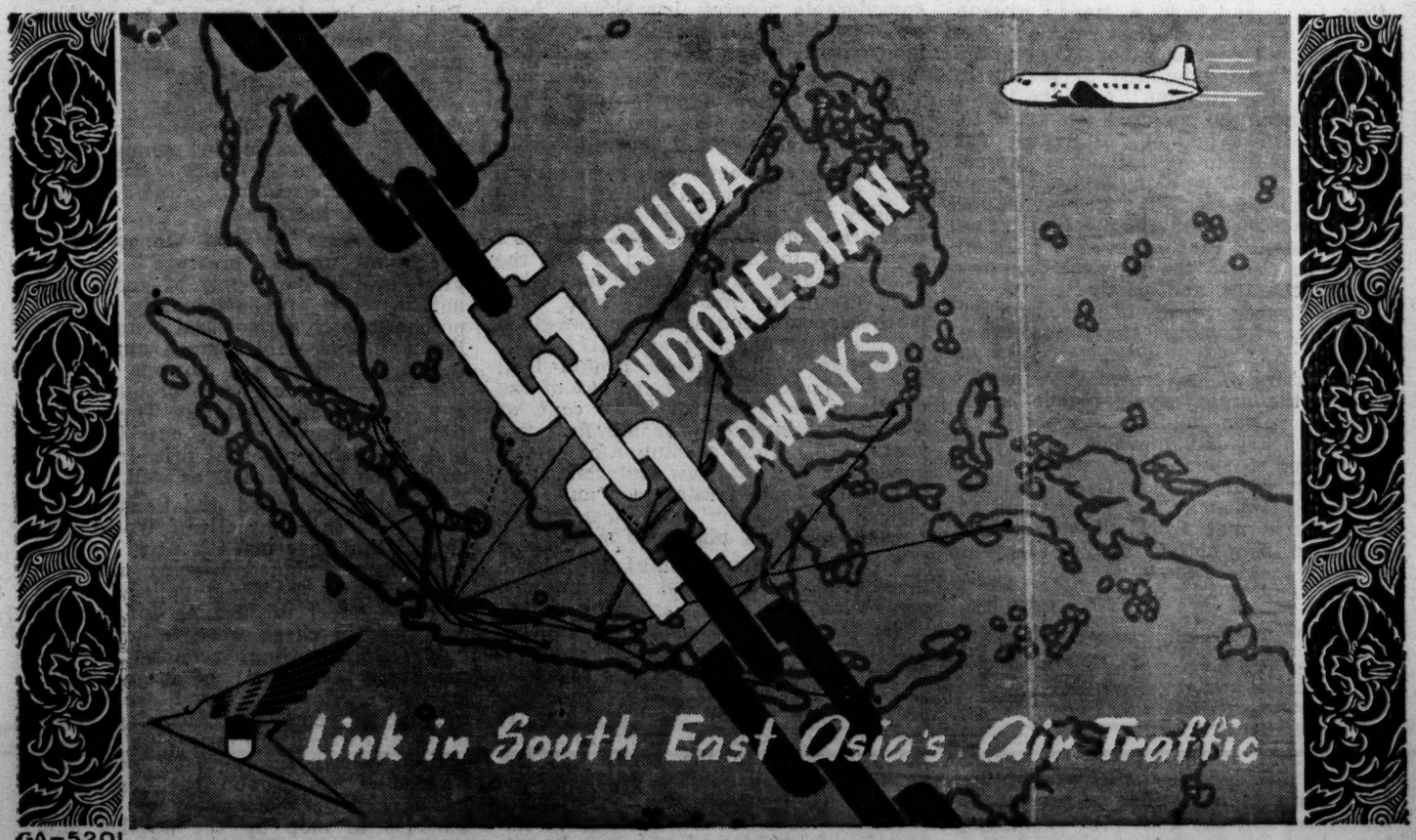
*Includes $ 18,483.10 (Concession Tickets).
†Includes $149,168.75 (Concession Tickets).

HK Building Construction in Aug. & Jan.-August 1952

	August 1952 No.	Cost $	Site Work $
City of Victoria:			
Factories & Godowns	1	6,539	—
Offices & Shops	1	164,000	—
Houses & Flats	7	339,310	10,000
Other (incl. Mixed Accommodation)	2	6,800	—
Total	11	516,649	10,000
Island Outside City of Victoria:			
Factories & Godowns	4	650,692	54,697
Offices & Shops	2	37,000	—
Houses & Flats	37	1,941,423	95,500
Other	3	80,955	—
Total	46	2,710,070	150,197
Kowloon & New Kowloon:			
Factories & Godowns	7	108,750	—
Houses & Flats	52	2,489,020	69,326
Other	4	152,629	—
Total	63	2,750,399	69,326
Total for August 1952:			
City of Victoria	11	516,649	10,000
Island Outside City of Victoria	46	2,710,070	150,197
Kowloon & New Kowloon	63	2,750,399	69,326
Total	120	5,977,118	229,523
Grand Total Jan.-August 1952:			
City of Victoria	136	9,307,115	282,618
Island Outside City of Victoria	185	15,616,592	1,114,453
Kowloon & New Kowloon	533	32,802,418	764,285
Grand Total	854	57,726,125	2,161,356

HONGKONG'S TRADE WITH EAST ASIA

	Imports				Exports			
	August		Total January-August		August		Total January-August	
	$	% of Total Trade	$	% of Total Trade	$	% of Total Trade	$	% of Total Trade
Burma	1,298,064	.46	21,553,313	.88	2,360,472	1.03	42,587,580	2.36
Ceylon	170,314	.06	1,386,624	.06	1,339,130	.58	5,054,956	.28
Indochina	2,283,302	.82	34,423,680	1.41	3,179,308	1.39	22,658,957	1.26
India	12,360,576	4.42	59,606,935	2.44	2,414,939	1.06	8,954,841	.50
Pakistan	1,577,151	.56	67,648,226	2.77	3,252,450	1.42	44,406,405	2.47
Malaya	12,641,234	4.52	103,921,498	4.26	29,348,982	12.84	289,891,139	16.10
Philippines	422,232	.15	7,069,084	.29	2,941,289	1.29	27,052,938	1.50
Thailand	9,631,256	3.44	151,616,844	6.21	15,306,444	6.70	179,759,794	9.98
Indonesia	805,727	.29	17,715,506	.72	61,644,404	26.97	291,687,384	16.20
China (excl. Formosa)	73,494,857	26.27	491,083,818	20.12	33,597,005	14.70	251,995,302	14.00
Formosa	4,978,112	1.78	35,612,079	1.46	15,971,572	6.98	137,718,123	7.65
North Korea	—	—	—	—	—	—	—	—
South Korea	551,123	.20	4,616,124	.19	2,505,953	1.09	16,709,679	.93
Total Trade of Hongkong	279,711,070		2,441,212,081		228,561,480		1,800,013,968	



FINANCE & COMMERCE

FAVOURABLE FINANCIAL POSITION OF PAKISTAN

The five years of Pakistan's independence have witnessed a steady growth and consolidation of the country's economy in all spheres. Not only has the country been able to produce a series of balanced budgets but has also during this period strengthened its economy by reviving commerce, establishing a sound banking structure and initiating a development program that would suit the best interests of the country both in the agricultural and industrial spheres. Large schemes of development are already under way.

In the industrial sphere, the promotion of industries is mainly based around industries for which the basic raw materials are available in the country and for which there is a ready demand either within the country or in foreign markets. Simultaneously with the planning and execution of development schemes, the Government have utilized their available resources for launching a program of social uplift of the masses. The foundation of Pakistan's economic and financial structure have been laid on as broad and sound a basis as possible, and the country has every reason to look forward to the future with confidence.

The last five years' budgets show that there has been a steady growth in the revenues of the country. According to the actuals for 1948-49 the total revenues amounted to Rs. 667.6 million. The revenue receipts have almost increased hundred per cent. by 1952-53. The budget estimates for 1952-53 indicate an estimated income of Rs. 1,265.5 million, while the revised estimates for 1951-52 provide for an income of Rs. 1,405.6 million. The improvement in the revenue position has been due to the growing economy of the country and partly to the increase in the prices of the primary products, following the Korean conflict.

A feature of Government's expenditure is the progressively higher provision for nation-building activities in spite of heavy but unavoidable liability of having to spend large amounts on the defence of the country. The following statement indicates the trend of expenditure met from all sources on nation-building activities from the year 1948-49 to 1952-53:—

Year	Rs. Million
Actuals for 1948-49	236.1
Actuals for 1949-50	476.2
Actuals for 1950-51	513.3
Revised estimate 1951-52	577.7
Budget estimate 1952-53	593.9

To give an impetus to the industrial development of the country, the Government decided to participate in the setting up of a number of important industries and the following provisions have been made during 1951-52 and 1952-53 for investments in industrial undertakings:—

	(Rs. Million) 1951-52	1952-53
Government's share capital in the Pakistan Industrial Development Corporation	2.5	—
Jute Mills	36.5	20.0
Paper Mill	16.2	14.4
Card Board Mills	3.3	4.3
Woollen Mills	3.0	5.0
Textile Mills	2.3	34.0
Cement Factories	—	11.0
Other Industrial Projects (Heavy Engineering and Chemical Industries)	0.5	11.3
Cold Storage Plant for Preservation of Potato Seeds	—	1.0
Vessels and Plants for Fisheries Department	—	1.6
Grand Total	64.3	102.6

As private enterprise was hesitant to come forward, the Government decided to take the initiative in cases where the establishment of important industries would in the ordinary course entail undue delay. In pursuance of this decision special purchase missions were sent abroad to place orders for capital goods required for important industrial Development Corporation, which is charged with the duty of promoting new industries, and if necessary, participating in industrial undertakings on behalf of the Government. As a result of Government's participation in the industrial effort of the country, considerable progress has already been made in the establishment of important industries like Jute, Textile and Paper.

The Government formulated a Six-Year Development Plan in 1950. The total cost of the development schemes was estimated at Rs. 2,600 million.

It is Government's policy to give a fillip to the industrialization of the country and to encourage investment in industrial undertakings. An important step taken in this direction is that the taxation policy of the Government has been given an industrial bias. The more important concessions so far given by the Government are:— (i) Total exemption from Business Profits Tax; (ii) Exemption from income tax of the profits to the extent of 5 per cent. of the capital invested, for the first five years; ((iii) Total exemption of capital goods and essential raw materials from import duties and sales tax; and (iv) Special depreciation allowances in the case of buildings, plant and machinery.

To give further impetus to private investment in industrial undertakings, concession was given last year to the effect that 25 per cent of the amount invested in industrial concerns would be exempt from Income Tax as well as Super Tax subject to the maximum of one-tenth of the total income. It has been decided this year to apply the exemption to the whole of the amount invested subject to the maximum of one-tenth of total income. The concession will be extended up to the 31st March, 1954, and will, it is hoped, have the effect of stimulating further savings and investment.

During the course of the last five years, steady progress has been made in Pakistan's external economic position. The reserves of foreign exchange which stood at Rs. 980 million on the 1st January, 1950, increased to Rs. 1,380 million by the 31st March, 1951, and stood at Rs. 1,480 million on the 1st March, 1952. The deficit of Rs. 512.4 millions in the Balance of Payments in 1949 changed into surplus of 520 million during 1950-51, mainly as a result of the growth of the foreign trade of the country brought about by the Government's policy of diversification of their exports and imports, bilateral trade agreement with foreign countries and the increased demand and higher prices for Pakistan's Primary products during the latter half of 1950 and first half of 1951.

The salient feature of Pakistan's balance of payments has been her dollar deficits, offset by substantial surpluses with the non-dollar and non-sterling countries. A surplus or deficit position within the sterling area means only mutual extension of credits, but settlements outside the sterling area eventually affect the central gold and dollar reserves of the sterling area. By her large surpluses with the non-dollar and non-sterling countries, Pakistan has lent support to sterling.

As a result of the measures Government have taken for expansion of trade, commerce, industry and agriculture and for provision of credit facilities for their financing, there has been an increase in the money supply position of the country, comprising currency in circulation and demand deposits of the banks.

An increase in the money supply exerts an upward pressure on the price-level if the supply of goods does not increase proportionately. In a predominantly agricultural country like Pakistan with only a small number of industries, there are obvious difficulties in augmenting home production to any considerable extent. The inflationary pressures in the outside world and the rising external price-levels increase the import costs as well.

Pakistan inherited inflationary tendencies as an aftermath of World War II and the Government's fiscal policies have been designed keeping also this factor in view. These policies which had the effect of keeping inflationary pressures in check were in brief: (i) balanced budgeting, economy in expenditure, creation of large funds which will stagger expenditure over a number of years, and financing Government expenditure on capital account within its own resources by mobilizing savings of the people; (ii) floating of loans and organization of savings schemes to mop up the surplus purchasing power; (iii) necessary adjust-

ments in export duties to counteract the inflationary effect of higher prices earned by exportable commodities; (iv) liberalization of import policy and concessions in taxation and import duties to maintain and augment the supply of consumer and capital goods and raw materials, essential for industrial and agricultural development of the country; and (v) the decision not to devalue the Pakistan rupee.

When the prices began to rise in the latter half of 1950, these measures had the desired effect and prevented prices from rising to the same level as in other countries. While the internal prices of the exportable raw materials adjusted themselves directly as a result of the "non-devaluation" decision, the increase in the export duties helped to prevent prices from rising steeply. On the import side, the rupee cost of imports became cheaper also in consequence of the "non-devaluation" decision and this, coupled with the liberalization of import policy, served to maintain the general price level in Pakistan at a comparatively reasonable level.

In the monetary field, the most important event was the decision taken in September, 1949, by the Government of Pakistan not to devalue the Pakistan rupee when the Pound Sterling and a number of other currencies were depreciated. The maintenance of the par value of the Pakistan rupee had a favourable effect on the general economy of the country. The prices have been kept under control and factors favourable to industrialization have been created and strengthened. Capital goods have been purchased at a relatively low outlay from the dollar area, while they have become still cheaper from the countries whose currencies were devalued.

SILVER PRODUCTION

Silver production, like gold production, is one of the few things that is now smaller than before the war. While the physical volume of mining and manufacturing production as a whole was about 75 per cent larger in 1951 than before the war, gold production was about 25 per cent, and silver production almost 40 per cent, smaller. Silver production is mostly an American industry, North and South America's production being more than 75 per cent of total world production and North America's production alone being more than 60 per cent of total world production. Gold production, on the other hand, is mostly a Sterling Area industry, Sterling Area production being over 60 per cent of total world gold production. Silver production is also a much smaller industry, its value in 1951 being about 150 million dollars compared to about 825 million dollars for gold production. Nevertheless, the movements of silver production and gold production have been closely parallel. Both reached their low points immediately after the war, rose moderately through 1950, and declined again in 1951. In both cases also the decline from before to after the war and from 1950 to 1951 has been general throughout nearly all the important producing countries.

The decline in silver production, unlike that in gold production, cannot however be readily explained. The U.S. dollar price of gold has been constant during the entire period from before the war to date, but the U.S. dollar price of silver has risen slightly for U.S. producers, while other producers who sell their product in New York have enjoyed price increases almost as large as those of U.S. wholesale prices in general. The United States Treasury buys the output of U.S. mines at a price that before the war represented a substantial margin over the New York market price. The U.S. Treasury price has been increased since 1937, but not by very much. The New York market price, on the other hand, has risen to nearly the level of the U.S. Treasury price for newly-mined U.S. silver:

	Index 1937 = 100 1951
U.S. Treasury price for newly-mined U.S. silver	117
New York market price for silver	199
U.S. wholesale prices	204

Changes in the uses of silver have been as great as those in its production. Before the war the United States Treasury's purchases for the accumulation of its stocks equalled or exceeded total world production. Coinage uses by the United States and other countries and industrial consumption in the United States and elsewhere were small, and presumably supplied by silver withdrawn from Far Eastern hoards. All these factors have been very different in the post-war period. In 1951 the United States Treasury sold silver from its stocks instead of buying the whole world's output. Coinage uses by the United States and the few other countries that continue to use silver in their coinages exceeded total coinage uses by the pre-war world, despite the fact that many more countries then used silver coins. Industrial consumption of silver has increased greatly compared to pre-war, U.S. industrial consumption alone rising from 862 metric tons or 10 per cent of world production to 3266 metric tons or 61 per cent of world production.

Sources and Uses of the World's Silver 1937 and 1951

(millions of fine ounces)

	1937	1951
Sources		
World production	270.0	167.5
Recovery from scrap		
United States	23.6	46.7
Other countries	—	—
Dishoarding		
China	174.3	—
India	—58.0	—
Other countries	14.3	—
Total sources	424.2	214.2
Uses		
Increases in official stocks		
United States	303.7	—17.9
Other countries	10.6	—16.5
Coinage during the year		
United States	13.6	53.0
Other countries	67.1	39.6
Industrial consumption		
United States	31.5	110.0
Other countries	30.9	34.6
Total uses	457.4	202.8

Despite the substantial increase in the demand for industrial and coinage purposes, which is not likely to diminish, producers have not been able to restore the pre-war level of production.

FOREIGN EXCHANGE OUTLOOK

From Guenter Reimann (New York)

A new international foreign exchange crisis is developing. It is hitting exporters who are unable to sell against payment in hard currency exchange. Importers who have to meet competition where use is made of "cheap" foreign exchange in legal transactions will be affected. As a result, official rates of exchange or parity values can no longer be used as a guide for monetary rates.

There is no international organization or financial institution capable of determining the usable rates for most foreign currencies. An anarchic situation is again arising. The International Monetary Fund may investigate these conditions. A special study will be made of dollar bonus payments which establish new rates of exchange without changing the official or parity value. Such a study will be useful in later discussions concerning monetary reforms and as historical background material. But it will also reflect the fact that the international monetary authorities are unable to stem the trend of a new kind of competitive use of "cheap" foreign exchange.

This applies especially to the European Payments Union where individual members are striving for the competitive use of "E.P.U. funds" in bilateral or triangular transactions. The number of bilateral clearing agreements is expanding. They are creating new types of "clearing exchange," all of which have their special free market rates, with "premium payments" for hard currency and discounts for soft-currency exchange. These rates are in the region of between 5% and 35% of official quotations, depending on the type of commodity involved, the amount of money, country of destination and the changing attitudes of the authorities.

For such transactions which formerly often were an evasion or direct violation of regulations are now in most cases possible on the basis of special licenses, permits or verbal authorizations of the foreign exchange authorities in the countries which lack hard-currency exchange.

In many cases, new types of transhipments develop. They open up additional opportunities for switch or clearing exchange and they also profit from dollar payments which result in the creation of negotiable hard currency funds usable for the payment of imports of goods which can be sold on soft-currency markets at a high rate of profit. The situation is similar to conditions which developed in 1949,

during the great Sterling crisis, which, at that time, ended with the devaluation of the Pound. This time, most countries with overvalued currencies are resisting devaluation, and may do so successfully during a prolongated period, by making extensive use of multiple rates of exchange, liberal attitudes towards the disposal or the acquisition of clearing exchange, individual commodity rates or "special licenses" and bonus payments.

It is therefore necessary to consider the new situation as the beginning of a period which will continue for some time. Preparations should be made accordingly in order to take advantage of the new legitimate opportunities and also in order to avoid losses as the result of superior competition.

Use of clearing or switch exchange in international commercial transactions is spreading, with the consent of the authorities of clearing agreement countries. But each transaction requires careful detailed preparations and specific instructions. Clearing exchange is especially usable in trade with various Latin-American countries, Western Europe and Scandinavia. Use of "cheap" clearing exchange is especially widespread in international trade of the following commodities: tobacco, tin, grain, silk and chemicals. Switch Sterling commodity transactions are still taking place on the basis of transhipments where about 3% net savings are possible.

British Sterling policies are increasingly coming under the influence of circles which are strictly opposed to all proposals for Sterling convertibility, trade liberalization etc. They have already succeeded in attaching several conditions and escape clauses to all British proposals submitted to Treasury officials who are preparing the forthcoming Commonwealth Conference (November). These conditions will weaken the practical value of "concessions" to liberalize controls and to create a convertible or free market pound (for commercial transactions). Some Dominion countries (especially Australia) will urge London to make concessions which, if granted, would curtail London's central position. Increased power is to be granted to members of the Commonwealth to make independent decisions in the sphere of foreign exchange. The nature of the "dollar pool" is to be altered. New possibilities for improved opportunities to trade directly with non-Sterling countries are to be opened up.

EXCHANGE CONTROL IN THAILAND

The control of foreign exchange was introduced in Thailand on March 20, 1952. It was a measure to reverse various other measures adopted by the Thai Government since 1947. It is a very limited control, not so much to change the existing system of import and export control, which is rather liberal, as to restrict outward remittances including the export of foreign currencies. The Ministry of Finance of the Thai Government states: "The object of the Regulations is to control the export of foreign currencies, foreign exchange, or letters of credit made for transfer only; the current international transactions may be carried on as usual." The measure was intended to forestall capital transfers.

The Thai Government last February raised the value of the baht by lowering the Sterling rate from 50 to 45 baht. That was the fourth revaluation of the baht in relation to £ during the past two years, intended to reduce the supply of money inside Thailand to prevent inflation. As the proceeds of rice exports of Thailand are mostly in £, such revaluations mean that the Bank of Thailand will pay less baht to the rice dealers. (The revaluations may also be described as narrowing the margin between the official cross rate and the free market cross rate, as the market rate of £ has been always weak in terms of US$ or baht). The restriction on remittances and capital transfers is another attempt to stabilize Thailand's economic situation and to guard against possible inflation.

The recent measure of exchange control has nothing to do with reducing imports or with striving for a favorable balance of trade. Thailand has had a favorable balance of trade for a number of years, the balance being 759,377,056 baht in 1950 and 695,052,-892 in 1951 (equivalent to about US$38 million and US$35 million respectively). So there is no need to reduce imports. Moreover, most imports of Thailand, being financed by the commercial banks through their own resources, do not require exchange from the Bank of Thailand, and therefore they do not affect the exchange reserve position of the Bank of Thailand.

There are two aspects of the Ministerial Regulations No. 9 issued on March 19, 1952. One concerns remittances, and the other authorized banks and dealers. Foreign investments in Thailand are well protected as remittances on interest incomes, profits and capital repatriation are allowed. There is no new control placed on imports. As usual, exporters of rice must surrender to the Bank of Thailand 100% of their export proceeds (the export of rice being a state monopoly administered by the Ministry of Commerce), while exporters of tin must surrender 40% and those of rubber 20%. All other exporters may retain their exchange funds. Although since May 19 it has been required by the Government that all foreign exchange funds be returned and kept in Thailand, all such funds can still be freely disposed of by their owners, either for financing imports or for other legitimate purposes.

Before March 20, 1952 no permit was required for the export of foreign currencies from Thailand but the import of foreign currencies in amounts exceeding the equivalent of 1,000 baht was prohibited. The export of foreign currencies, foreign exchange, or letters of credit is now prohibited, except under the following conditions:

(1) A person who is going to travel to a foreign country may carry with him foreign currencies, foreign exchange or letters of credit in amounts not exceeding the equivalent of 3,500 baht, while members of a family travelling under a single passport may carry with them amounts not exceeding the equivalent of 7,000 baht. (2) Travellers in transit may take out an amount of foreign currencies, foreign exchange or letters of credit not exceeding what they brought in. (3) Payments made in connection with current international business, including ordinary banking services and short term credits. (4) Payment of interest incomes and profits earned from (foreign) loans and investments respectively. (5) Payments in reasonable amounts as fixed by the Minister of Finance for settlement of loans or for capital depreciations. (6) Remittance for family maintenance as fixed by the Minister of Finance. (The amount has been fixed by the Minister at 2,000 baht per month for each individual).

After March 19, 1952 all foreign exchange must be bought from or obtained through dealers or banks authorized by the Minister of Finance and all other persons shall be prohibited to deal in foreign exchange. This is a significant change. Consequently the hitherto free market is now limited to operations of some twenty authorized banks and dealers.

At present, persons who desire to send foreign currencies, foreign exchange, or letters of credit abroad, or transfer their capital and profits, etc. within the limits of the regulations must submit applications to the authorized banks or dealers, who are empowered by the Minister of Finance to consider and approve them as within the limits of the regulations. Any application for export of foreign currencies or foreign exchange in amounts exceeding the limits fixed in the regulations must be approved by the Minister of Finance.

All authorized banks and dealers had to submit a detailed report to the Minister of Finance on their foreign exchange position as of March 19, 1952, including the part of foreign exchange belonging to their clients. Any subsequent change in their position has to be reported to the Minister of Finance.

THE MONEY MARKET IN TAIWAN

The money supply has been a problem in Taiwan for sometime. While there is a general shortage of working capital in almost all industries and business firms, the banking institutions do not extend freely loans and other credits, due to the fear of inflation. The shortage of working capital in industries and firms is partly responsible for the high rate of interest. During the second half of 1952 industries will need several hundred million yuan of loans from banks. The banks, chiefly the Bank of Taiwan, will not be able to grant such loans without increasing the amount of note issue. By the sale of foreign exchange to importers the Bank of Taiwan will be able to contract a part of the Taiwan yuan and thus to lesson its need to issue more notes, but the amount of

Taiwan yuan thus contracted is still insufficient to meet the requirements of the industries.

The existing amount of note issue has approached the maximum authorised by the Government. Loans to industries may at first be in the form of bank credit but sooner or later some 30% of the bank credit will be converted into cash notes according to the experience of the past two years, so the note issue will eventually rise. Only when the cash ratio can be reduced, will the expansion in bank credits be not accompanied by an increase in note issue.

Money has increased by 93% from January 1951 to June 1952, while commodity prices rose by 41% during the same period. The increase of money supply has outstripped that of commodity prices. A part of the money supply must have been absorbed in the increase of productions. An increase in money supply does not necessarily cause a corresponding increase in commodity prices. The principal causes for the increase in money supply are the increased spending of the Government, the increased investment in industries as well as the excess of exports over imports.

Comparison between Money Supply & Price Index

Month	Money Supply Amount (yuan million)	Rate of Increase	Wholesale Price Index
Jan. 1951	826.33	100	100
Dec. ,,	1,336.92	165	135
Jan. 1952	1,438.17	174	138
Feb. ,,	1,452.50	175	142
Mar. ,,	1,513.91	183	146
Apr. ,,	1,545.33	187	148
May ,,	1,553.02	188	144
June ,,	1,599.37	193	141

The note issue in circulation has maintained a constant ratio to demand deposits during January 1951 to June 1952. The cash ratio, derived from note in circulation divided by the sum total of note in circulation and demand deposits, has varied between 30.6% and 36.1%. This means, as demand deposits increase, note issue will also be increased in a corresponding ratio. The banks cannot therefore continue to create deposits (through granting of loans) without being prepared to issue more notes, which would come up to about one-third of the amount of demand deposit thus created. On the other hand, it is also evident that the note issue will not exceed 40% of the loans or demand deposits created.

Cash Ratio Analysis

Month	Notes in Circulation (yuan million)	Demand Deposits	Cash Ratio %
Jan. 1951	252.88	573.45	30.60
Dec. ,,	442.93	923.99	32.40
Jan. 1952	492.68	945.49	34.25
Feb. ,,	463.13	989.37	31.88
Mar. ,,	479.20	1,034.71	31.65
Apr. ,,	481.58	1,063.75	31.16
May ,,	523.32	1,029.79	33.69
June ,,	532.89	1,066.48	33.31

The cash ratio is calculated on the basis of demand deposits only. As "Preferential" deposits are a kind of time (or fixed) deposit, they are therefore not included in the calculation of cash ratio. But it should be noted that with a slight change of circumstances these "Preferential" deposits could easily become short term deposits because they are mostly for a period of one month only. They are in fact, a hybrid type of deposits. Therefore, in order to study the situation of money supply in Taiwan more closely the following table is showing the adjusted cash ratio calculated by including the "Preferential" deposits

Increase of "Preferential" Deposits

Month	"Preferential" Deposits	Rate of Increase	Monthly Relative	Adjusted Cash Ratio
Jan. 1951	16.69	100	100	29.99
Dec. ,,	158.48	949	92	29.03
Jan. 1952	177.42	1,063	112	30.49
Feb. ,,	219.46	1,314	123	27.69
Mar. ,,	257.41	1,542	117	27.05
Apr. ,,	330.27	1,978	128	25.67
May ,,	423.53	2,537	128	26.47
June ,,	474.48	2,842	112	22.87

61.1% of the "preferential" deposits as of May 31, 1952 were for a period of one month only, 21.9% for two months, 8.6% for three months, and 1.4% for six months. This type of deposits originate largely from the people, not government organizations. The accounts are predominantly of medium size with a balance varying between 1,000 and 5,000 yuan.

From the facts set out above it appears that the banking system is now unable to give accommodations to industries to any considerable extent unless the Government authorizes a new issue of notes. The intra-limit issue of 200 million yuan has long approached the maximum limit, so if there is any sizable amount of credits created by the banks the note issue will become a problem.

However credits thus created by the banks will not necessarily entail a 100% corresponding increase in commodity prices. Judging by the experience since January 1951, the increase in prices was about 45% of the increase in money supply. Nor will the credits created require more than 35% in note issue. But note issue will certainly increase as loans of the banks are increased.

It seems necessary that the present high level of "Preferential" deposits should be maintained if the present volume of note issue is to be kept. Note issue will increase as soon as they become demand deposits. The cost involved in paying unusually high interest for such deposits is justified from the point of view of restricting note issue and maintaining general economic stability.

To make temporary accommodations to industries is an ordinary function of banks. However, the accommodations should be strictly of temporary nature and should be supported by good prospect of repayment. To give loans to finance capital investments is not a sound policy.

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MONETARY CONDITIONS IN TAIWAN

Note Issue & Reserve: At the end of August, the intra-limit issue stood at NT$198,584,363 and was backed by a reserve of 8,868,540 grams of gold. The extra-limit issue amounted to NT$274,560,000 and was secured with a combined reserve of 6,475,526 grams of gold (equivalent of NT$145,000,000), $100,000 worth of commercial bills, and $129,460,000 worth of godown warrants. Both figures of intra-limit and extra-limit issues were very close to those of July.

	Intra-limit Issue	Extra-limit Issue	Subsidiary Issue	Total Issue
	(Unit: NT$ Million)			
May	198.51	265.65	99.16	563.32
June	198.67	274.65	99.56	572.88
July	198.38	274.62	93.68	566.68
Aug.	198.58	274.56	93.68	566.82

Bank Deposits: By the end of August, deposits in the commercial banks amounted to NT$760.61 million, which figure included 512.57 million of "preferential" fixed deposits. The total of bank deposits has continued to increase because of the expansion in the "preferential" fixed deposits, but demand deposits have declined, though slightly, in the past few months.

	Bank of Taiwan	Other Banks	Total
	(Unit: NT$ million)		
May	1,200.70	656.63	1,857.33
June	1,271.15	697.76	1,968.91
July	1,246.06	744.40	1,990.46
Aug.		760.61	

Following are the breakdown figures of the total deposits of July together with the comparative figures of June:

	June	July	Change
	(Unit: NT$ million)		
Inter-bank Deposits:	415.77	422.80	+ 7.03
Demand Deposits "A"	285.91	281.43	
Demand Deposits "B"	82.96	88.24	
Treasury Deposits	315.78	297.69	
Deposits at Call	33.50	32.87	
Special Demand Deposits	348.33	350.35	
Total Demand Deposits:	1,066.48	1,050.58	— 15.90
Preferential Fixed Deposits:	474.48	506.37	+ 31.89
Other Deposits:	12.81	10.71	— 1.47
Total Deposits	1,968.91	1,990.46	+ 21.55

Bank Loans: Loans of the commercial banks also increased; they amounted to NT$296 million in July and 305 million in August. But the figure of inter-bank deposits was still larger than that of loans.

	Bank of Taiwan	Other Banks	Total
	(Unit: NT$ million)		
May	808.68	573.72 (237.00)*	1,382.40
June	850.15	620.56 (261.25)*	1,470.71
July	836.88	658.47 (296.88)*	1,495.35
Aug.		(305.57)*	

* amount excluding "due from banks"

Interest & Clearing: Bank clearings in Taipei in August totalled 95,547 checks and NT$604,430,197 in value, both showing some increase over the corresponding figures of July.

	Number of Checks Cleared	Total Value	Average per Working Day
		(Unit:	NT$ million)
May	84,639	588.03	21.77
June	89,866	649.33	27.05
July	90,986	597.26	23.89
Aug.	95,547	604.43	23.25

Bank interest rates on deposits and loans were unchanged in the month of August. The interest rates in the open market remained at 7½ to 6.6% per month.

Foreign Exchange Balance: With increased purchases of fertilizers, flour, etc., imports rose to US$13.38 million in August, while exports totalled US$8.69 million, about US$1.3 million bigger than the figure for July. The further decrease in sugar export was made up by the increased value in rice shipment. And the total export value of US$8.69 million was almost twice the corresponding amount in August last year.

	Receipts			Payments			Balance
	Trade	Remittance	Total	Trade	Remittance	Total	
			(Unit: US$ million)				
May	13.05	0.67	13.72	6.60	1.16	7.76	+ 5.96
June	11.75	0.43	12.18	10.68	1.05	11.73	+ 0.45
July	7.39	1.03	8.42	6.77	1.18	7.95	+ 0.47
Aug.	8.69			13.38			

During the month of August, while sugar export shrank to US$1.8 million, the rice export expanded to US$4.5 million. The exports of tea, salt, banana, and camphor all decreased as compared with the figures of July. The import of fertilizers alone accounted for an increase of US$3.9 million in the total import value. Increases were also seen in most of the other imports, notably flour, beans, metals, machinery, and pharmaceuticals. The import of cotton goods in the month was extremely small.

Following are the figures of exports and imports in August:

Exports	(US$ million)	
	July	August
Sugar	2.944	1.818
Rice	1.278	4.490
Tea	0.912	0.723
Salt	0.411	0.145
Citronella	0.414	0.352
Banana	0.773	0.405
Coal	—	0.004
Canned Pineapple	0.210	0.322
Cement	—	0.003
Camphor	0.058	0.016
Chemicals	0.010	0.003
Feathers	0.062	0.074
Hat Bodies	0.046	0.016
Liver Oil	0.008	0.019
Bamboo Rods	0.010	0.017
Fruits	0.046	0.010
Rice Paper	0.011	0.011
Ramie, Sisal	0.142	0.057
Paper & Pulp	—	0.008
Metals	—	0.153
Others	0.063	0.053
Total	7.398	8.699

Imports	(US$ million)	
	July	August
Chemical Fertilizers	—	3.959
Bean Cake	0.029	0.003
Beans	0.480	1.819
Wheat & Flour	0.127	1.359
Wheat Bran	0.003	0.041
Peanut Oil	—	0.018
Milk & Products	0.199	0.347
Salt Fish	0.277	0.359
Tobacco	0.068	0.003
Cotton, Raw	—	
Cotton Yarn	0.360	0.157
Cotton Pcs. Goods	0.200	—
Cotton Products	0.011	0.031
Wool & Products	0.065	0.119
Hide & Leather	0.082	0.094
Gunny Bags & Jute	0.473	—
Logs & Lumber	0.008	0.159
Ores, Metals & Manufacture	0.731	1.064
Machinery & Tools	0.669	0.929
Elec. Materials	0.049	0.134
Bicycles & Parts	0.089	0.168
Vehicles, Vessels & Parts	0.333	0.325
Chemicals	0.114	0.094
Pharmaceuticals	0.433	0.627
Chinese Medicines	0.176	0.261
Dyes & Paints	0.130	0.126
Glass & Products	0.055	0.048
Rubber & Products	0.104	0.135
Paper & Pulp	0.126	0.197
Oil & Wax	0.316	0.276
Other	1.063	0.438
Total	6.770	13.380

Exchange Allotment for Imports: Some relaxation was seen in the weekly allotments of foreign exchange to commercial firms for the import of various merchandise which in August amounted to US$6,871,889, about US$2.5 million more than in the month of July. The allotments were classified as follows:

Allotted at Official Rate: 323,086 (4.7%).
Allotted at Certified Rate: 6,456,744 (94%).
Allotted with Exchange Proceeds from Sluggish Exportable Goods: 92,059 (1.3%).
Total: 6,871,889 (100%).

Besides, about one million U.S. dollars were allotted to the various public enterprises during the month for the import of raw materials and equipment.

NOTICE

It is with pleasure that we announce that we have now established Agencies in AUSTRALIA, JAPAN and SINGAPORE and we will be very pleased to handle any enquiries concerning property in these countries.

HARRIMAN REALTY COMPANY, LIMITED,
REAL ESTATE AGENTS SURVEYORS, VALUERS & PROPERTY MANAGERS.

King's Building, 2nd Floor,

Hong Kong.

Tel. 35846.

HONGKONG EXCHANGE & GOLD MARKETS

Report for the week 6th October to 11th October:

GOLD: High & low for .945 fine tael $ 289¾—286⅞, for .99 fine in Macao $ 301⅝—299. Daily high & low: $ 289¾—287⅞; 288⅞—287⅝; 289—286⅞; 289¾—288⅜; 289⅝—288¾; 289½—288¾. Opening 289¾, closing 288¾. Crossrate US$ 40.35—40.10. Cif Macao contracts for total of 8000 ozs US$ 40.20—40.10.

Market steady but prices on decline as TT New York receded. Crossrate due to higher world prices on up-grade. Current prices are record lows for 1952.

Bangkok's crossrate around 45 so that exporters here could theoretically make 10%; but smuggling and graft in Siam are expensive and exporters here cannot earn much in spite of running risks (in HK rather than in Bangkok). Another complication of gold imports into Siam is the uncertainty about 'protection'—while one authority or rather persons in authority, for a consideration, guarantee safe conduct there are other persons in authority who feel that they have been neglected and they may cause seizure of gold shipments. The much talked about official gold import monopoly of Thailand still has not materialised which is due only to personal intervention by certain grafters who wish to see the present state of affairs continue. Until the head of the Bangkok police will take a strong stand against many of his own subordinates who conspire with the Chinese gold dealers to procrastinate the scheme there won't be any decision and the present racket will continue. That the authorities in Bangkok are allowing the gold smuggling to continue is a public scandal since years and it is freely talked about the large 'remuneration' which officials in Customs and Police as well as in the Army have obtained from this illicit but 'protected' bullion trade. That scandal is only matched by an even bigger one: the opium trade in which the authorities also take enormous 'interest'. The Chinese bullion dealer while enriching himself is serving as a convenient tool of Siamese officialdom; eventually it is he who will be blamed for all the corruption in the country while actually the very low standard of morals in public life should be exposed and be rapidly improved unless public support of the present government is to fade away.

The outlook for gold prices is unchanged; international markets may maintain the current price but as the local unofficial TT New York is weak the price in HK$ per tael should further decline. There is so much talk of peace these days that gold traders cannot but feel despondent. As an era of peace is in the offing, hoarding of gold will practically cease and there will also be less interest among a more rural East Asian public to buy the trinkets which they used to buy. That is progress of the times. Fortunately for the gold producing countries the US keeps on buying the precious metal and so guarantees a price of US$ 35 per oz. To hope for a change of policy in Washington in the face of present conditions when coexistence a la Stalin is becoming ever more a reality is most unrealistic. The local crossrate of around 40 is too high and should come down to 38 or even lower.

Change-over interest favored sellers and totaled $ 1.84 per 10 taels—which was another proof for the big stock here and the pressure to unload. Tradings totaled 142,800 taels or daily average of 23,800. Positions averaged 91,850. Cash sales: 28,740 of which 9740 listed. Imports from Macao 21,500 taels, while arrivals in Macao 41,600 ozs fine. Exports: 16,500 taels which were consigned to Bangkok 9500 taels, Singapore 7000.

US$: High & low of US notes 629⅜—621½, DD 629—621¼, TT 630½—623¾. Daily rates for TT, high & low: $630½—626; 626½—624¾; 626—623¾; 627—625; 627½—626½; 626¼—624½. Sales: TT US$ 1,195,000, DD 297,000, notes spot 444,000, futures 9¼ million.

Market was weak which not only was caused by free sterling strength abroad but also by offers of larger amounts from Japan. In Tokyo there is a vast hoard of US$; now when the Japanese economy appears even safe and sound to the most sceptical observers the need for hoarding US currency is at an end and the hoards have to be disposed of somehow. The US$ quotes ever lower at the Tokyo black market as buyers are reticent. The trend has been for a long time very encouraging for the yen. The Tokyo rate for US$ has been considerably below the local free market and last week the difference was usually over 5% (US$ in Tokyo quoted HK$ 5.90—5.95 while in HK the rate was around 6¼), thus triangular exchange operations were stimulated and arbitrageurs offered growing amounts of US funds in the local market. If the current trend in the world continues, i.e. if outbreak of another war is not seriously considered any more and rearmament will be reduced, all soft currencies will improve vis-a-vis the US$ and consequently there will be a plethora of that hard currency which it will take a long time to mop up—with TV sets and other US gadgets.

In the TT sector Bangkok was as usual a heavy seller. In notes offers came from local and Japanese hoarders and from arbitrageurs. Interest favored sellers in the future market and totaled per US$1000 HK$ 3.98. Positions averaged per changeover US$ 4¾ million. In DD sellers hailed from Manila where also a dishoarding trend is strongly noticeable.

As more notes from Japan are due to arrive here the rate will continue depressed for some time. But eventually the position of sterling in relation to the US$ and the question of sterling convertibility will decide the free US$ rate in Hongkong.

SILVER: Rates per tael $ 6—5.75, per dollar coin 3.95—3.93, per small coins 2.97—2.95. Sales: 3000 taels, 9000 dollar and 14,000 small coins. Market steady and exporters buying up what arrives here from China via Macao. More supply from China will find eager buyers.

BANKNOTES & FAR EASTERN DD: DD Singapore quoted $ 1.88—1.87½, Manila 2.16—2.15, Bangkok .277—.276, Tokyo per 100 yen 1.53½—1.51, per US$ 5.96—5.92. Sales: 350,000 Mal.$, 155,000 pesos, 1¼ m. baht, 22 m. yen, 110,000 US$. Heavy offering from Japan both notes and drafts in US currency.

Banknote rates: London 15.84—15.80, Australia 12.10—12.05, N. Zealand 13.05—13, S. Africa 15.70—15.65, India 1.22½—1.20½, Pakistan 1.25, Malaya 1.83½—1.833, Canada 6.43—6.38, Manila 2.28—2.27, Macao 1, Japan per 100 yen 1.55—1.52½, Indochina .118—.116, Siam .347—.346, Indonesia .26—.254.

CHINESE EXCHANGE MARKETS: Taiwan yuan quoted per 100 $ 25.30—24.75 for notes, 26.75—26.50 for DD, and sales resp. 480,000 yuan and 2¼ million. Gold and US$ transfer with Taipei quoted resp. 106 and 103.

People's Bank of China yuan per one million quoted for notes $ 191—187½, DD Canton 225—224¾, Amoy 191—190, and sales resp. 60 m., 75 m. and 130 m. (The larger Amoy figure results from more trading contact with south Fukien). Other rates nominal and no business done.

HONGKONG MONEY MARKET

Investment funds are on the increase and private interest on the decline. In spite of reduced yields and considerable overbuilding the construction boom continues. Money seeks outlets and cannot find attractive opportunities—that is to say as attractive as two and more years ago. Financiers have more sober ideas of return on capital. The security market consequently invites more attention.

The political climate being now very healthy has induced property owners to revise former estimates and prices have risen although yields have remained stable or declined gradually. Mortgages in the private market are bringing less interest to capitalists; on the average 12—15% p.a. are being paid these last few weeks. As building of any type continues without interruption the property market offers best outlet for idle money if moderate returns are expected. At the same time properties have generally risen in price during September by 3 to 7% which has stimulated speculative building. Still, what the real estate market can digest is far too little for the funds now on ready offer.

But this cannot be helped as commercial and manufacturing activity is in the doldrums and solvent debtors are difficult to find among the hosts of applicants. The idle money in the market is being increased by dishoarding of US$ and gold; recent declines of prices for these most favored counters have caused a good many hoarders to reconvert into local currency and

now they are confronted with the problem how to invest them without running risks. The local commercial banks are not in a position to raise the interest on deposits if they at all welcome new deposits. A rich place this Hongkong but money alone doesn't make one happy though one has got to have it.

FINANCIAL NOTES

Indonesian Exchange Rates for Non-Essential Imports:—With a view toward curbing further the importation of luxury articles, Indonesia introduced, effective August 12, a series of new exchange rates for the importation of nonessential goods. All imports are reclassified into four categories: essential goods, nonessential goods, semi-luxury goods, and luxuries. The rate for the essential goods will be the same rate as formerly, i.e., the official rate of Rp 11.43 per U.S. dollar. For nonessential goods, the rate will be the official rate plus the price of the "inducement" certificate which will be 100 per cent of the official rate; therefore the effective rate for this category will be Rp 22.86. For semiluxury goods, payment of an "inducement" rate of 200 per cent of the official rate will have to be made, so that the effective rate of exchange will be Rp 34.29. No foreign exchange will be made available for the importation of luxuries. The new rates apply to imports from all countries. The regulations, however, do not affect the existing requirement that for all imports from the dollar area there is an additional charge equal to the price of the dollar export certificates for the full value of these imports; the latest price set for these certificates is Rp 0.60 per dollar. On May 12, 1952, when the Javasche Bank first started to fix this price on a weekly basis, it was set at Rp 1.20 per dollar.

Indonesian Export Duties:— Effective August 1, Indonesia reduced the additional export duties which had been introduced when currency readjustments were made on February 4. The reductions are as follows: rubber, from 15 per cent to 10 per cent (reduced on June 1 from 25 to 15 per cent); copra, from 25 to 15 per cent; and palm oil and kernels, from 15 to 5 per cent.

Philippine Government Finance:— For the first eleven months of fiscal year 1951-52 total government receipts amounted to P615.1 million and total expenditures to P431.9 million; thus there was a surplus of P183.2 million. The surplus may make it possible to liquidate part of the deficit accumulated since 1945. The Secretary of Finance, however, has warned against undue optimism over favorable budget reports, and has stated that, if some less important appropriations for the fiscal year 1952-53 projects are not sacrificed, the Government may end that year with a deficit of at least P6 million.

Import Restrictions in Pakistan:— In an attempt to conserve foreign exchange earnings, Pakistan has restricted further imports from both the dollar and sterling areas. About 40 items have been removed from the open general import license; they include cotton piece goods and yarn, jute manufactures, cycles, tires and tubes, motor trucks, matches, crockery, paper, and timber. Only about 50 items continue to be under open general license, mainly nonferrous metals, pig iron billets, machinery, chemicals, drugs and medicines, dyes, mineral oils, and cement. The new restrictions have been necessitated by the country's deteriorating balance of payments position, which forbids continuation of a liberal import policy.

Indian Industrial Production:— Production in India of coal, sugar, cement, steel ingots, jute products, and cotton goods in 1952 is expected to be appreciably above output last year. During the first 6 months of this year, 19 million tons of coal were mined, which was equivalent to an annual rate 9 per cent above last year's total; 12 million tons of sugar were produced, a rate 35 per cent above 1951 production. Jute manufacturing is expected to exceed 1951 by 13 per cent, and cotton goods production by 5 per cent. Cement production in the first 6 months of 1952 amounted to 1,700,000 tons, compared with the 1951 total of 3,198,000 tons; and steel ingot production was 1,600,000 tons, against a total of 1,478,000 tons in 1951.

Thai Baht:— The withdrawal of currency from the market has strengthened the baht. At present approximately 3,900 million baht are in circulation, compared with 4,247 million earlier in the year. The free market exchange rate of the baht has been improving steadily, and there has been a corresponding drop in the market prices of imported goods, with the exception of automobiles and textiles which are affected by import restrictions and increased import duties.

HONGKONG INCORPORATED COMPANIES

The following new private companies were incorporated in Hongkong during the weeks ended: September 27, 1952:—

OSMAN AHMED (HONGKONG), LIMITED—Businesses of dealers in and importers and exporters of cotton, jute, wool, etc.; Nominal Capital, HK$1,000,000; Registered Office, 74, Wellington Street, 1st floor, Hongkong; Subscribers—Ahmed Haji Habib, 11/2, Garden East, Karachi, Pakistan, Merchant; Abdul Gani Haji Habib, 11/4, Garden East, Karachi, Pakistan, Merchant.

STANLEY ASSOCIATES LIMITED—Business of importers and exporters, general merchants, etc.; Nominal Capital, Hongkong $150,000; Registered Office, Room 302A, Victory House, 3rd floor, Wyndham Street, Victoria, Hongkong; Subscribers—Lee Pui Yiu, 2, Hawthorn Road, 1st floor, Hongkong, Married Woman; Fung Hon Hing, 197, Sai Yeung Choy Street, 1st floor, Kowloon, Merchant.

PACIFIC ENGINEERING LIMITED—Businesses of importers, manufacturers, buyers, etc. of plant machinery equipment and engines of all kinds; Nominal Capital, HK$500,000; Subscribers—Ian G. Highley, 22, Conduit Road, Hongkong, Chartered Accountant; G. M. Macwhinnie, 7, Conduit Road, Hongkong, Chartered Accountant.

COMET TRADING COMPANY, LIMITED—Businesses of merchants, exporters and importers, etc.; Nominal Capital, HK$5,000; Registered Office, Queen's Building, Victoria, Hongkong; Subscribers—M. M. Watson, 3, Abernor Court, May Road, Hongkong, Solicitor; D. Brittan Evans, 17, Shek O, Hongkong, Solicitor.

CHINA MINING DEVELOPMENT COMPANY, LIMITED—Business of brick and tile manufacturers, etc.; To purchase, take on lease, or acquire wolfram mines, coal mines, etc.; Nominal Capital, HK$1,000,000; Registered Office, Room 403, Holland House, 4th floor, Victoria, Hongkong; Subscribers—Pau Yien Wong, 8, Braga Circuit, Kowloon, Merchant; Peter Edward Wong, 92, Kennedy Road, ground floor, Hongkong, Merchant.

October 4, 1952:—

TAI CHING SHIPPING CORPORATION (1952) LIMITED—To buy or acquire ships and vessels, sound or out of repair, for the purpose of improving, reselling, etc.; Nominal Capital, H.K.$1,000,000; Registered Office, 136, Connaught Road Central, ground floor, Victoria, Hongkong; Subscribers—Ho Yin, 41, Village Road, ground floor, Hongkong, Merchant; Fu Yum Chiu, 8, Tak Shing Street, Kowloon, Merchant.

SHUN CHEONG STEAM NAVIGATION COMPANY, LIMITED—To purchase, build, hire, etc. steam launches, ships or vessels, and to employ the same in the conveyance of passengers, mails, merchandise, etc.; Nominal Capital, H.K.$1,000,000; Registered Office, 24, Connaught Road West, 1st floor, Victoria, Hongkong; Subscribers—Hui Oi Chow, 7, Garden Road, Hongkong, Merchant; Hui Sai Fun, 6, Fort Street, 2nd floor, Hongkong, Merchant.

HONGKONG STOCK & SHARE MARKET

Report for September: With little movement in prices, activity slackened but prices were well maintained, and at the close buyers were in evidence.

China Provident Loan & Mortgage Co., Ltd., announced an issue of 271,300 shares in the ratio of one New Share for every 2 old at a premium of $5. The new shares rank for dividend pro rata from 16.10.52, and in all other respects pari passu with issued shares.

Business reported during September, $8,960,856. Business reported in 1951: $140,671,899. Business for Jan./Sept. 1952: $105,901,416. Business reported September, 1951: $18,251,592.

Business done during September:—	Qty. of Shares
H.K. Govt. 3½% Loan (1948)	$30,000
H.K. Bank	543
Bank of East Asia	130
Union Insurance	691
China Underwriters	200
H.K. Fire Insurance	100
Union Waterboats	100
Union Waterboats (Bonus)	1,000
Asia Navigation	6,600
Wharves	1,008
North Point Wharves	14,500
Sh. & Hongkew Wharf	6,504
H.K. Docks	11,205
C. Providents	31,632
C. Providents Rts.	2,900
Shanghai Docks	8,198
Wheelock Marden	6,825
H.K. & S. Hotels	26,7[illegible]
H.K. Lands	6,500
H.K. Lands (Bonus)	3,000
Shanghai Lands	16,920
Humphreys	2,300
H.K. Tramways	55,950
Peak Trams (F. Pd.)	1,096
Peak Trams (P. Pd.)	870
Star Ferry	521
China Lights (F. Pd.)	87,056
China Lights (P. Pd.)	52,006
H.K. Electrics	30,834
Macao Electrics	7,357
Telephones	22,312
Cements	38,450
Ropes	5,600
Dairy Farms	34,300
Watson	25,672
China Emporium	30
China Entertainment	250
Vibro Piling	2,000
Shanghai Loan	3,500
Yangtze	13,500
Ewo Cotton	19,502
H.K. Mines	10,000
Rubber Estates Shares:—	
Ayer Tawah	500
Dominion Rubber	2,000
Kroewoek Java	9,000
Langkat	1,378
Rubber Trust	6,824
S'hai Kedah	1,000
S'hai Kelantan	11,260
S'haj Pahang	1,000
Tanah Merah	2,332

SHARE QUOTATIONS AT THE HONGKONG STOCK EXCHANGE

Highest & lowest quotations for January to July and for August 1952:—

Stock	Jan./July High	Jan./July Low	August High	August Low
H.K. Government 4% Loan	$98¼	$96½	——	
H.K. Government 3½% Loan (1934)	$93½	$93½	——	
H.K. Government 3½% Loan (1940)	$93½	$93½	——	
H.K. Government 3½% Loan (1948)	$94	$91	——	
Banks				
H'kong & S'hai B'king Corp.	$1645	$1360	$1430	$1375
H'kong & S'hai B'king Corp. London Register	£91⅝	£81¾	——	
Bank of East Asia, Ltd.	$150	$139	$142	$142
Insurances				
Canton Insurance Office, Ltd.	$262½	$222½	$210	$210
Union Ince. Socy. of Canton, Ltd.	$820	$730	$760	$742½
China Underwriters, Ltd.	$5.85	$4¾	$5	$5
Hongkong Fire Insurance Co., Ltd.	$150	$130	$135	$135
Shipping				
Douglas Steamship Co., Ltd.	$163	$160	——	
Indo-China Steam Navigation Co., Ltd. Def.	$53	$53	——	
Union Waterboat Co., Ltd.	$26½	$25		
	(O)$9¼	$9	$11.30	$11¼
	(Bonus)$8½	$8¼	$10.80	$10.70
Eastern Asia Navigation Co., Ltd.	$1.85	$1.10	$1.60	$1.55
Docks, Wharves & Godowns				
Hongkong & Kowloon Wharf & Godown Co., Ltd.	$112	$74½	$91	$86
North Point Wharves, Ltd.	$7.30	$5½	$6½	$5.90
Shanghai & Hongkew Wharf Co., Ltd.	$2½	$1.30	$2.10	$2.10
Hongkong & Whampoa Dock Co., Ltd.	$20	$16	$19	$18.10
China Provident Loan and Mortgage Co., Ltd. Rts.	$15	$10½	$13	$12
Shanghai Dockyard, Ltd.	$2¾	$1.225	$1.70	$1¼
Wheelock Marden & Co., Ltd.	$46½	$38	$43	$42¼
Mining				
Raub Australian Gold Mining Co., Ltd.	$8.10	$6¾	$5.35	$5¼
Lands, Hotels & Buildings				
Hongkong & Shanghai Hotels, Ltd.	$9	$5.60	$6.60	$6.30
Hongkong Land Investment and Agency Co., Ltd.	(O)$70	$38½	$46¾	$44¾
	(Bonus)$43¼	$36	$45	$42½
	(Rts)$16½	$11½	——	
Shanghai Land Investment Co., Ltd.	$1.70	$1.10	$1.40	$1.30
Humphreys Estate & Finance Co., Ltd.	$14¾	$10	$12	$11.90
Hongkong Realty & Trust Co., Ltd.	$3	$2.10	$2.15	$2.15
Public Utilities				
Hongkong Tramways	$19½	$15	$19.90	$18½
Peak Tramways, Ltd. (F. Pd)	$26	$24	$28½	$28½
(P. Pd)	$13	$12	——	
Star Ferry Co., Ltd.	$120	$90	$105	$100
China Light & Power Co., Ltd. (F. Pd.)	$8.95	$8	$9	$8.65
(P. Pd.)	$6.20	$5.20	$6.10	$5.70
Hongkong Electric Co., Ltd.	$24½	$20	$22.70	$22.10
	(Bonus)$22.90	$21½		
Macao Electric Lighting Co., Ltd.	$12¼	$9¼	——	
Sandakan Light & Power Co., Ltd.	$7	$7	——	
Hongkong Telephone Co., Ltd.	$18	$14.40	$17.80	$17.30

Stock	Jan./July High	Jan./July Low	August High	August Low
Industrials				
Green Island Cement Co., Ltd.	$18¾	$13.10	$17.80	$16.80
Hongkong Rope Manufacturing Co., Ltd.	$25	$17	$19½	$18.40
Stores, Etc.				
Dairy Farm, Ice & Cold Storage Co., Ltd.	$20¾	$15.70	$19.20	$18½
A. S. Watson & Co., Ltd.	$28¾	$20¼	$27.60	$24.80
	Rts. $2¾	$1		
Lane, Crawford, Ltd.	$36	$22.60	$24	$24
	(Rts) $8.10	$6¼	$9.40	$9
Sincere Co., Ltd.	$3½	$3	——	
China Emporium, Ltd.	$13	$12¾	$9.20	$9.20
Sun Co., Ltd.	$2½	$1.85	——	
Kwong Sang Hong, Ltd. Cum Div.	$122	$115	——	
Wing On Co., Ltd.	$57½	$56	——	
Miscellaneous				
China Entertainment & Land Investment Co., Ltd.	$21½	$16.30	$16.90	$16.80
International Films Ltd.	$0.90	$0.75	——	
H.K. Engineering & Construction Co., Ltd.				
(F. Pd.)	$3¾	$3	——	
(P. Pd.)	——		——	
Vibro Piling Co., Ltd.	$16	$9	$9	$9
Shanghai Loan & Investment Co., Ltd.	$1.80	$1	$1.15	$0.90
Yangtsze Finance Co., Ltd.	$5½	$4.10	$5.15	$5
Cotton Mills				
Ewo Cotton Mills, Ltd.	$3.60	$1.70	$2.65	$2.30
Rubbers				
The Anglo-Dutch (Java) Plantations, Ltd.	$2½	$1.10	$1.40	$1.30
The Anglo Java Estates, Ltd.	$0.50	$0.10	——	
The Ayer Tawah Rubber Plantation Co., Ltd.	$5	$3	$3½	$3.35
The Bute Plantations (1913), Ltd.	$4¼	$2	——	
The Consolidated Rubber Estates (1914) Ltd.	$5.40	$2.30	$2.90	$2.85
The Dominion Rubber Co., Ltd.	$3½	$2.40	$2	$2
The Java Consolidated Rubber & Coffee Estates, Ltd.	$0.65	$0.40	——	
The Kota Bahroe Rubber Estates (1921) Ltd.	$3.80	$3	——	
Kroewoek Java Plantations, Ltd.	$0.85	$0.40	$0.55	$0.40
Langkat N.V. Maatschappij Tot Mijn-Bosch-En Landbouwexploitatie in Langkat	$1.30	$0.50	$0.50	$0.50
The Rubber Trust, Ltd.	$4	$1.70	$2.60	$2½
The Shanghai Kedah Plantations, Ltd.	$10.40	$4.80	——	
The Shanghai Kelantan Rubber Estates (1925) Ltd.	$1.30	$0.85	——	
The Shanghai Pahang Rubber Estate, Ltd.	$1¾	$1.70	$1.10	$1.10
The Sungala Rubber Estate, Ltd.	$2¾	$2¾	——	
The Sungei Duri Rubber Estates, Ltd.	$5.35	$3	$3½	$3½
The Shanghai-Sumatra Rubber Estates, Ltd.	$8½	$5	$4	$4
The Tanah Merah Estates (1916) Ltd.	$1.60	$1	——	
The Ziangbe Rubber Co., Ltd.	$4½	$1.70	——	

HONGKONG COMMODITY MARKETS

Tight money conditions following the Mid-Autumn settlements had a depressing effect upon the local markets for the earlier part of the week ended October 11. The holiday spirit was continued at the end of this period by the celebrations which took place for the Double-Tenth anniversary of the proclamation of the first Republic of China. The display of a red five-star Communist flag was sufficient to draw a hostile demonstration from the Nationalist elements in Hongkong, who asserted themselves this year more emphatically than on previous anniversaries. In fact the leftist trade unions seemed to draw a lot of "fire" from the rightists and the police on many occasions had to take action to prevent the total wrecking of the premises of the former.

China Trade: Arrivals of China Produce from the mainland continued, interesting items received being straw braid from Tsingtao of 1" to 1⅛" widths considered suitable for Japanese requirements and raw cotton received for the first time from China. Interest was also created by purchases of peppermint oil made by exporters to Switzerland for the first time in a considerable period. Offers from Europe in regard to vegetable oils continue to be lower than the export floor prices fixed on the mainland, making it difficult to build up trade in this direction. For the same reason, it is understood that mainland dealers are petitioning the Foreign Trade Control Bureau in Canton to lower the export floor price on cassia with a view to stimulating trade.

Survey of HK Markets for week ended Oct. 11, 1952

The Cotton Yarn market, with continued arrivals and slackened demand from Burma and Thailand, showed a falling tendency. Metals as a whole were quiet, the main interest being in zinc sheets and scrap iron; such business as was recorded was not interfered with by the celebration of the Double-Tenth holiday by the Metal Merchants' Association. HK manufactured steel has been somewhat neglected of late, an explanation given being that the lower quotations received from Japan have drawn away from HK the attention of buyers in Thailand and Singapore. Industrial Chemicals were inactive for the greater part of the week, awakening towards the close after mainland traders had obtained additional import licences from the authorities; exporters to Taiwan and South Korea provided only limited support. The Paper market was hampered by unusually low stocks, brought about by the hesitation displayed by local indentors in ordering fresh supplies as a result of the recent lowering of indent prices by European manufacturers; however, steps will undoubtedly have to be taken to rectify this situation in view of the fact that traders with South Korea are preparing for renewed dealings in paper with that country as the government is about to issue import licences for this commodity. The China Produce market which opened quiet turned brisk at the close with exporters active to Great Britain, Europe and Japan, the first mainly for aniseed oil, cassia lignea and rosin (Mixed grade 2 qual), and the latter for fluorspar, unhulled sesamum, brans, vegetable wax and rosin. Support was also provided by Taiwan (woodoil and rosin H grade), Singapore (brans), Thailand (tea, rosin & garlic), India (garlic & cassia lignea), Penang (garlic), Indonesia (rosin), and Switzerland (peppermint oil).

Among arrivals from the mainland were over 300 tons of woodoil; also received were 60 tons rapeseed oil, 8 drums aniseed oil, rosin 1063 cases, raw cotton 542 bales. From Taiwan came: tea 961 cases, citronella oil 25 drums, camphor powder 108 cases.

HK Commodity Prices Oct. 6-11, 1952
(Spot Sales unless otherwise stated).
(One picul = 133.33 lbs)

Cotton Yarn—HK 20's $1,585, $1,535, $1,545 and $1,500 per bale. Italian 20's $1,330, $1,440 and 32's $1,905 per bale. 42's $2,410 per bale. Indian 26's $1,356 and $1,380 per bale. 32's $1,720 per bale.

Metals—Mild Steel Round Bars (Europe) 40" ¼" $60 per picul, ⅜" $58, ½" $44, ¾" ⅞" and 1" $43 per picul; 1½" $47, 1¼" $46 per picul. Round Bars Hongkong 20'—40' 2" and ⅜" $42 per picul, Wire Nails, Kegs G13 1½" and G12 1¼" $55 per picul. G7 4" $60. (Europe) (short of inch) G18 ½" $65 per picul and 250 kegs 1½—3" (Europe) $52 per picul. Aluminium Sheet standard quality Japan 4' x 8' G18—G22 $3.30 per lb. Japan 1 metre x 2 metres G20 $3.20 per lb. Copper Sheet Japan 4' x 4' ⅛" $5 per lb. Copper Pipes ¼"—½" $5 per lb. Copper Pipes England 18'—20' ¼"—⅝ $7.50 per lb. Tin Plate Japan 20" x 28" in skids $235 per case. Tin Plate, Waste, Waste Misprint 1 inch plate waste, waste (U.S.A.) $100 per picul. 18 x 24 (coked) $180 per 200 lbs. Black plates $24—G26 $66 per picul. Corrugated Roofing Iron Sheet 3' x 7' G24 67 cents per lb. and 3' x 7' G26 68 cents per lb. Galvanised Iron Sheets G24 60 cents, G26 65 cents and G28 68 cents per lb. Zinc Sheets G6 $195 per picul. Steel Ropes, Wire English 1" $2.80 per lb. 1¼" $2.60, 13/4" $2.40, 2¼" $2.20, 2¾" $2.10 and 3" $2 per lb. Brass Wire G8—12 $460 per picul and Barbed Wire (Japan) 56 lbs packing 24 cents per bundle.

Industrial Chemicals—Acetic Acid, glacial, Holland 20 kilo carboy 84 cents per lb. Boric Acid Powder. (Australia) 448 lbs. $2.70 per lb. Citric Acid Crystals (England) 1 cwt drum $1.60 per lb. Bicarbonate of Soda, refined (ICI) 100 kilo bag $36 per bag. Calcium Hypochlorite 60% 50 kilo drum (Japan) 25½ cents per lb. Chlorate of Potash (Swiss) 100 Kilo drum 49 cents per lb. Gum Arabic (ICI) Egypt 100 Kilo bag 63 cents and (Egypt) 64 cents per lb. Lithopone 30% (Belgium) 1 cwt bag 35 cents and Petrolatum Amber (USA) 377 lbs drum 50 cents per lb. Sodium Nitrate in 100 kilo gunny bags packing $32 cents per picul. Paraffin Wax (No export license) $113 per picul.

Paper—Bond Paper with water mark 32 lbs. white 22" x 34" $25.50 per ream. Bond Paper without water mark also 22" x 24" 32 lbs. $24 per ream. Foolscap "Jupiter" Cream laid 48—60 lbs. 26½ x 33" $1.45 per lb. and miscellaneous

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TAIWAN COMMODITY MARKETS

Report for August

General Trend. The downward trend of commodity prices which prevailed in the past few months has come to a halt in August as prices began to recover. According to the Taiwan Provincial Bureau of Accounting and Statistics, the general index of Taipei wholesale prices was 546.23 in August, (base 100, as on June 15, 1949) still about 0.14% lower than that of July, but the monthly index compiled by the Economic Times Daily showed an increase of more than 1% over the previous month.

The price of rice, which had risen from NT$105 to NT$119 a picul (pon-lai white first grade) in July, rose further to NT$132 a picul by the end of August due to several causes. The usual seasonal shortage of rice supply in August and September was one of them. The prospective rice export and the unwillingness on the part of rice holders to sell were the other causes. The attempt made by the Provincial Food Bureau to sell rice at a price 5% lower than the market price did not succeed in bringing down its market price, but helped to prevent it from rising further due to its continued supply. Quotations of imported flour also advanced by 15% during the month, chiefly because its supply was short. Sugar quotations, however, were on the decline.

Due to larger quotas of rations of cotton sheetings and an increase in the domestic production of cotton prints, the supply of these commodities has greatly improved. The black market price of grey sheeting slumped from NT$270 to NT$215 a bolt in the month. Prices of anti-biotic drugs advanced by about 10%. Quotations of several lines of imported goods were slightly up again, but many others were still weak.

Taipei Wholesale Price Index for the Month of August 1952

	General	Food	Fuel	Clothing	Building Materials	Misc.
Week ending 8/2	535.80	404.15	542.23	717.34	690.03	572.66
1st week	537.43	407.22	550.88	717.34	688.82	572.66
2nd week	540.90	416.77	545.83	717.34	681.01	572.66
3rd week	545.37	427.26	544.99	717.34	681.01	572.66
4th week	545.05	426.24	544.99	717.34	681.91	572.66

Simple Geo. Mean

Base: June 1949 = 100

Note: The index for "Clothing" consists of official prices of cotton yarn and cotton sheeting

The following table gives some of the market quotations in Taipei in the month of August:

Unit: NT$

Date	Sheeting (40 yds)	Rice (60 kgs)	Flour (50 lbs)	SWC Sugar (100 kgs)
8/2	206	120	62	380
8/9	206	127	60	374
8/16	206	128	60	355
8/23	206	130	60	350
8/30	206	132	60	360

Date	Peanut Oil (60 kgs)	Barbed Wire 16" (ton)	Vaseline (barrel)	Charcoal (60 kgs)	Wood "Taiwan Cedar" (60 kgs)
8/2	470	3300	1100	60	360
8/9	485	3300	1150	62	320
8/16	485	3300	1150	59	320
8/23	485	3400	1200	62	360
8/30	475	3400	1250	62	400

Note: The price of sheeting is official quotation and the price of rice is for first grade Pon-lai white. The price quoted for flour is that of local milled "Dragon Fly" brand.

brands $1.00 per lb. Manifold Paper 22" x 34" 16 lbs. (Norway) $16.20 and $16.50 per lb. 22" x 34" 16 lbs. coloured $19.50 per lb. 16 lbs. (Czech) $15 per lb. and Mechanical printing 60 lbs. (Europe) 58 cents per lb. Woodfree Printing 80—100 lbs. 80 cents 80—100 (Austria, Czech, Holland) 85 cents per lb. Cellophane Paper 36 x 39" (Czech) $64 per lb. (Japan) $84 per lb. Prime Glascine Paper 26 lbs. 30 x 40" double size $37 per ream. Packing Paper 34 lbs 30" x 40" $34 per ream. 17½ lbs 20" x 30" $18.50 per ream. M.G. Cap 17½ lb. (coloured) Europe $13.20 per ream. 17½ lbs. white (Norway) $11.40 per ream. M.G. Sulphite Paper (Europe) 47 lbs. brown Poland $32 per ream. 47 lbs. white 35 x 47" $34; and 60—160 lbs. brown 96 and 92 cents per ream. Waterproof Kraft 35 x 47" 120 lbs. $114 per ream. M.G. Pure Sulphite 30 x 40" (Austria) $13.60 per ream. Duplex Board 240 (Sweden) $135 per ream, 255 lbs. (Finland) $138; 240 lbs. (Germany) $126 per ream. 240 lbs (Japan) 45 cents per lb. and 280—380 lbs. (Europe) 75 cents per lb. Strawboard, yellow 8-oz 26 x 31 (Holland) $455 per ton and 10—12 oz Holland $460 per ton. 8-oz 26 x 31" (Japan) $455 per ton. Newsprint 52 gr., 43" 42 cents per lb. Newsprint in reams 50 lbs. 31 x 43" $22.50 per ream.

China Produce—Vegetable Oils: Woodoil (Tung Oil) in bulk $220 per picul, in drums $236 per picul, European buying offer £225 per ton c. & f. Aniseed Oil 15 deg $800 per picul. Teaseed Oil 3% ffa $146 per picul, European buying offer £162 per ton c. & f. Citronella Oil $2.48 per lb. Peppermint Oil $24 per lb. Other Produce: Cottonseed Cake, Hankow $23 per picul. Groundnut Cake, Tsingtao $26.50 per picul. Gypsum $17.20 per picul. Rice Bran, Changsha $18.80; Wheat Bran, Hankow $17 per picul. Lacquer, Crude, Szechuan $580 per picul. Egg Powder, Dried Albumen $5.30 per lb. Garlic, Kumshan toasted $93 per picul; Fukien $51.90 per picul; Taiwan 2q $48.20 per picul. Vegetable Wax, Szechuan $735 per picul. Rosin, East River M grade $90 per quintal, Mixed grade 2q $73, H grade $83 per quintal. Sesamum, Unhulled, Tientsin white $68, Hankow brown 2q $65 per picul. Menthol Crystals $46 per lb. Cassia Lignea in bulk $55 per picul. Straw Braid, Tsingtao 1"—1⅛" $680 per case of 480 bundles of 60 yds each (nominal). Silk Waste, Korea No. 1 $650 per picul. Minerals: Fluorspar, Chekiang $172 per picul. Arsenate, Crude $450 per picul. Tungsten Ore 65% $1250 per picul.

CHINESE TUNG OIL

China—the world's greatest producer and exporter of tung oil—knew how to grow tung trees and extract and use tung oil before other countries. The usefulness of tung trees was discovered during the Tang dynasty (618-907 A.D.), but it was only during the Sung dynasty (960-1276 A.D.) that China started cultivating tung trees on a large scale. Tung oil was introduced to Europe in the sixteenth century. Marco Polo, describing his travels, wrote that wood oil, mixed with lime and crushed hemp, could be used for caulking work in shipyards. In 1875, a Frenchman, M. Cloez, discovered that Chinese tung oil could be used as a substitute for linseed oil in paints and varnishes and then Western paint-makers started using it. Tung oil reached America in 1896 and was called tung oil, kiri oil or Chinese nut oil. The first tung trees to be cultivated in America were planted in California in 1905.

Tung trees are tall plants which begin to shed their leaves in late autumn. They look like Sterculia platanifolia, and their broad leaves are white and pink in colour. They bloom towards the end of spring, and their nuts—which look like walnuts—ripen in August or September. Each nut contains several seeds which yield oil when pressed.

There are many kinds of tung trees in China, but the two main categories are: 1) Aleurites fordii—these grow rapidly, are resistant to cold weather and bloom and give nuts within three years after they are planted. The nut is oblate, has a smooth surface and contains three to five seeds. Most of the tung trees planted in China belong to this category. 2) Aleurites montana—the nuts of this species of tung tree contain three to four seeds. The trees of this category bear nuts for as long as fifty years. This category is not so resistant to cold weather as the first-named species and is mainly cultivated in South China. The shell of the nut is uneven on the surface, and, for this reason, it is also called "wrinkled tung." The oil content of the kernel is not so rich as that of the first kind.

Tung trees adapt themselves easily to their environment. They grow sturdily even in poor soil, thriving just as well on a slope as at the foot of a hill. Nevertheless, they grow best in a damp, mild climate and are, therefore, cultivated mostly in provinces like Szechuan, Hunan, Kwangtung and Hupeh. There are some orchards in Chekiang and Kweichow, but fewer in Shensi, Anhwei, Kiangsi, Honan and Fukien.

One hundred kilogrammes of seeds of Aleurites fordii yield 44 kilogrammes of oil, while the same quantity of seeds of Aleurites montana gives only 37 kilogrammes. Chinese tung oil is excellent in quality. It is shiny, sticky

and thick and dries fast. Japanese and American tung oil contain less iodine. It is a good, quick-drying oil. Apart from that, its coating lasts longer, is waterproof and resists changes of weather.

There are many kinds of tung oil in China, the two main ones are: 1) White tung oil—it is transparent and light in colour. It is known abroad as "Chinese tung oil" and is of high quality. 2) Dark tung oil—it is also known as red tung oil, although in reality it is dark-brown in colour. To this category also belong the siu oil of Szechuan and hung and kuang oil of Hunan. The colour and quality of dark tung oil are inferior to those of white tung oil.

Tung oil is more useful than any other kind of vegetable oil. It may be used in more than 850 ways and mainly as follows: 1) To make ordinary paint, spray paint, varnish and enamel paint. 2) To serve as a coating for waterproof paper, waterproof cotton cloth, artificial leather, raincoats, umbrellas, canvas tents, cellophane and cement. 3) To serve as a coating for aircraft, ships, automobiles, woodwork, fishing nets, either as protection against moisture or against rust. 4) To make quick-drying printing and drawing ink. 5) To make emetics and insecticides. It is also used for manufacturing artificial ivory, synthetic rubber, rayon and nylon products. Moreover, by a process of distillation, it is possible to obtain Diesel oil and gasoline from tung oil.

When burned, the ashes of the covering of the nuts serve as fertiliser and an ingredient for the manufacture of alkali. The nutshell itself may be used as fuel or in the manufacture of paper, nitre and soap. Tung oil cakes make good fertiliser for arid fields and also serve as insecticide.

China ranks first in the output of tung oil. In 1936, production reached 136,800 metric tons—the highest ever in China's history and constituting 99 per cent of the total world output. During the war, tung oil production decreased. From 1937 to 1946, China produced on the average 78,800 tons annually.

Tung oil has always been produced more for export than for home consumption. Normally, China exports between 60 and 70 per cent of its total output. The highest export figure was registered in 1937, when China supplied the world with 103,000 tons of tung oil.

COMMERCIAL NOTES

Ceylon's Rubber Shipments

For the seven months of 1952 total shipments of rubber from Ceylon were valued at Rs. 238 million. Exports went mainly to China 27,240,191 lbs to the value of Rs. 60.4 million, the United Kingdom 26,151,018 lbs valued at Rs. 48 million and the USA 20,953,991 lbs at Rs. 38 million.

From May 18 to the beginning of September, 18,850 tons of rubber was despatched to China from Ceylon. During August Poland purchased 3,406,050 lbs valued at Rs. 7,139,282, according to customs returns, while 1,344,000 lbs worth Rs. 2,387,389 was despatched to Russian satellite countries in East Europe.

World Trade in Sugar

World trade in centrifugal sugar showed a slight decline in 1951 compared with 1950, according to the US Dept. of Agriculture; world sugar exports totalled 14.2 million short tons as against 14.5 million in 1952, while world import of centrifugal sugar amounted to 14 million short tons in 1951 compared with 14.6 million in 1950.

The Philippine Republic and the US and its territories together accounted for 2.7 million short tons or about 19% of the world export total, a decline against the percentage for 1950 caused through lower US exports which, however, were partly offset by increased exports from the Philippines. Formosa's export total fell from 711,000 tons in 1950 to 328,000 tons last year. Formosa expects to ship about 500,000 short tons this year, chiefly to Japan.

Asia was the only continental area which increased its imports, taking 222,000 tons more than it imported in 1950. The US, Canal Zone and Alaska received 39.7% of total world imports of sugar, and the U.K. and Commonwealth areas received 29.6%.

Philippines Control over Imports of Japanese Textiles

With a view to preventing the importation of Japanese textiles into the Philippines by way of Hongkong, which Customs officials claim to have taken place in violation of an executive order prohibiting the importation of such goods from Japan other than by the National Development Company, the Philippine authorities now require presentation of manufacturers' certificates for all textiles imported from the Colony. These certificates, which will furnish proof that the textiles are of local manufacture, will be endorsed by the HK Dept of Commerce & Industry.

Philippines & Textile Machinery from HK.

Following a joint arrangement between Chinese interests in HK and businessmen in the Philippines, under which their resources will be pooled, about 200 units of textile weaving machinery will shortly be exported to the Philippines from the Colony.

The units, which are capable of producing 6 million yards of textiles annually, will be allowed into the Philippines free of tax and without the usual import licences.

Japan-Thailand Trade & Payments Agreement

A new Trade & Payments Agreement to the total value of US$112 million for imports/exports was signed between Japan and Thailand in Bangkok under date of Sept. 1 effective until August 31, 1953. The new agreement shows an increase of $1 million each in exports and imports over the previous agreement. Trade will be conducted through the open account system, at a rate to be fixed every half-month, taking into account as far as possible the trend of the free rate of the US dollar in Bangkok.

The exchange of commodities under the new trade arrangement is as follows: chief exports from Japan to Thailand—Textiles $20 million, machinery $9 million, construction materials $4.65 million, construction steel goods $2 m, paper goods $3 m, rubber goods $1.5 m, rails $1.2 m, enamelled ironware $1.2 m, agricultural & marine products $1 m. Japan's main imports from Thailand—Rice (200,000 tons) $42 million, castor beans $1.2 m, crude rubber $1 m, salt $800,000, teak $600,000.

It will be noted that under the new agreement Japan will only receive 200,000 tons of rice from Thailand instead of the 300,000 tons that was hoped for. Thailand is now the chief supplier of rice to Japan. Before the war the bulk of the rice required by Japan came from Korea and Formosa, Thailand supplying only 20,000/30,000 tons. Since the war however Thailand, Egypt and Burma have been the principal suppliers; in 1951 Thailand provided 40% of the Japanese requirements or 316,000 tons valued at $43 million, Egypt coming second with 176,000 tons and Burma third with 161,000 tons.

As at August 31 there was an adverse balance against Japan in trade with Thailand of $5.15 million.

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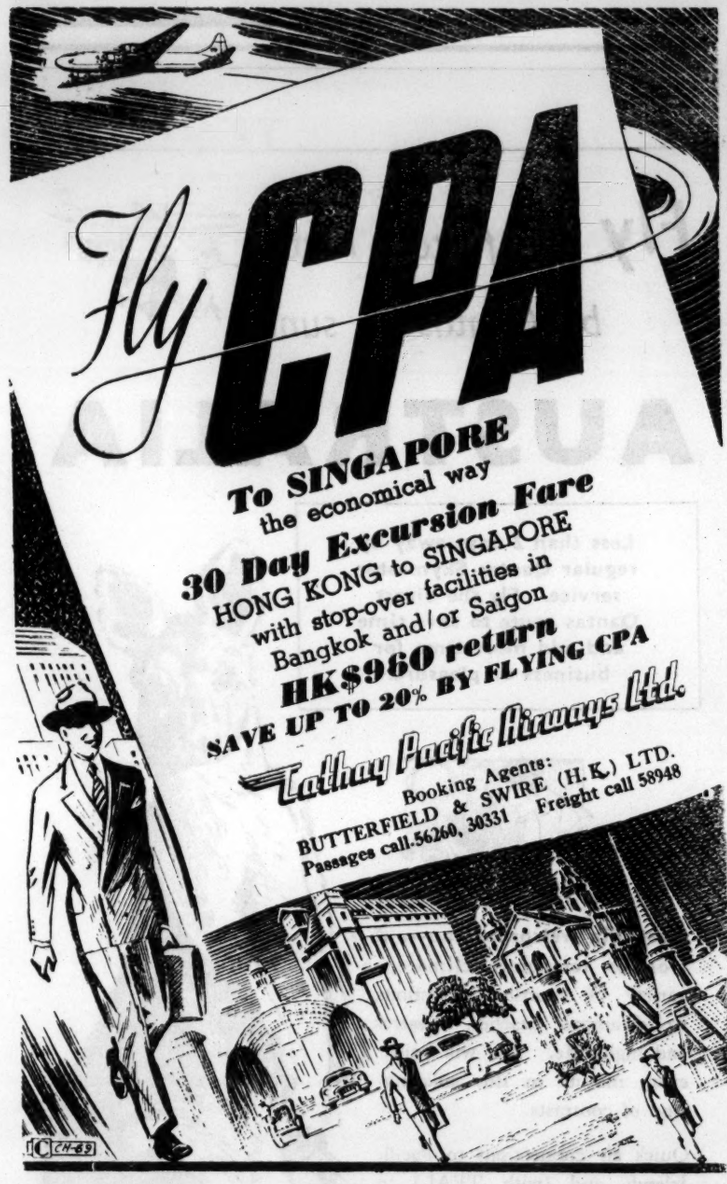

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